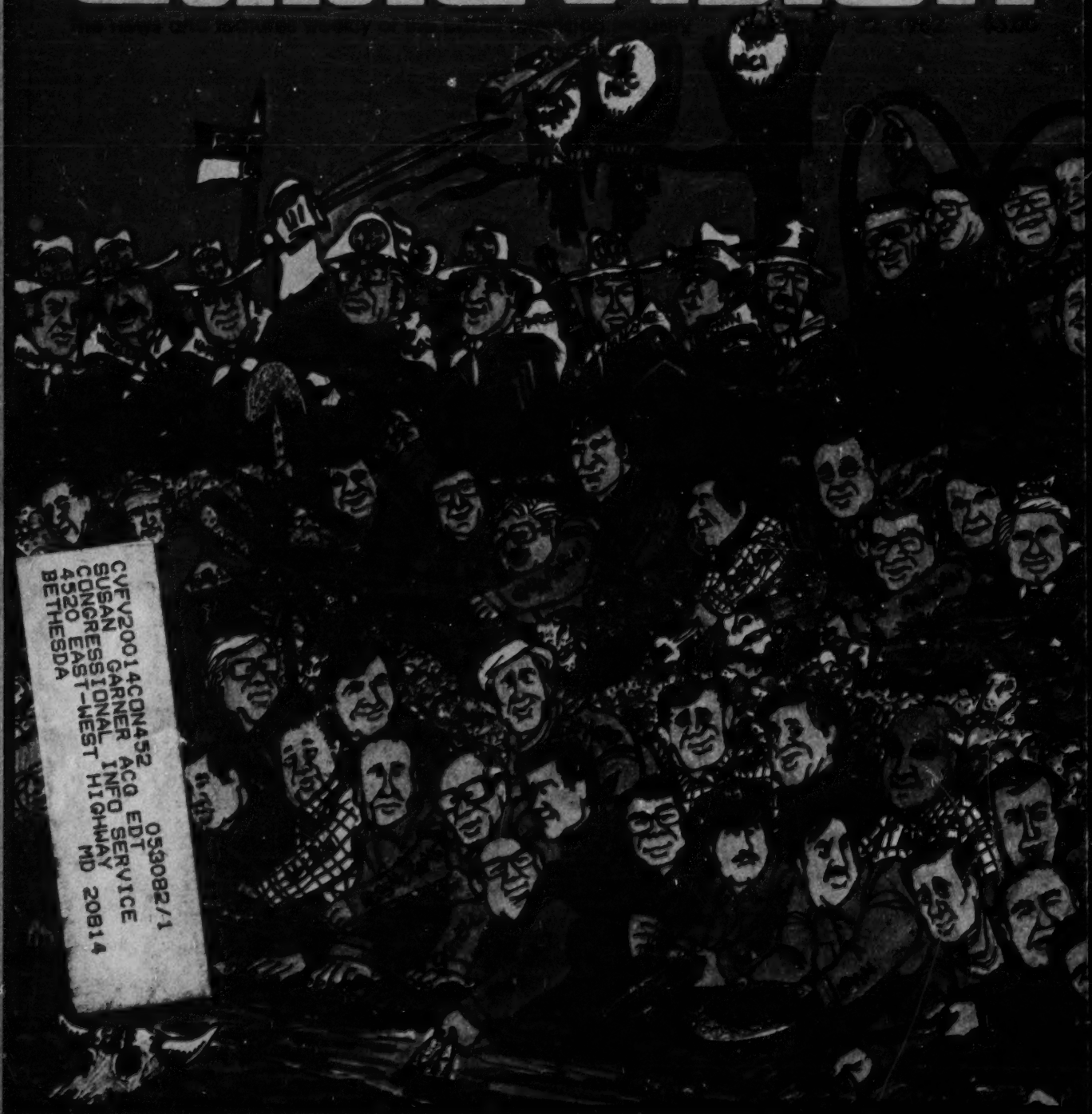
C8920-2

CableVision



CVFV20014CON452 053082/1
SUSAN GARNER ACQ EDT
CONGRESSIONAL INFO SERVICE
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

CableVision November 22, 1982. Volume 8, Number 12

Between the lines/13
CableScope/16
Newswire/20
Leading the week/23
Programming/31
Marketing/65
Advertising/73
Second generation/80
Trailblazers/100
CableVision Plus/173
Cable follies/197
Wiring the inner cities/219
Business/263
Government & law/303
Classifieds/330
Advertisers' index/338
People/339
Events/344
Cable stats/347
From Washington/358
Parting words/360

TITSCH COMMUNICATIONS, INC.: *President,* Robert Titsch; *Executive Vice President,* Paul Fitz-Patrick; *Vice President, Editorial,* Patrick Gushman; *Controller,* Michael Borer; *Director of Operations,* Michael McCready; **EDITORIAL OFFICES: New York:** *Editor,* Jay Rubin; *Bureau Chief,* Victor Livingston; *Senior Editor,* Jeri Baker; *Associate Editors,* Jean Bergantini Grillo, Gary Rothbart, David Stoller; *Assistant Editors,* Simon Applebaum, Karen Bloom; **Denver:** *Managing Editor,* Jim Craig; *Associate Managing Editor,* Wayne H. Lasley; *Assistant Managing Editor,* Tom Hess; *Editor,* CableVision Plus, Victoria Gits; *Managing Editor,* CableVision Plus, Madeline Hardart; *Associate Editor,* David Murdock; *Assistant Editors,* Gretchen Dietsch, Judith Schwall; *Editorial Assistant,* Patricia Major; **Washington, D.C.:** *Associate Editor,* Craig Leddy; *Legal Affairs Correspondent,* Gary Witt; *Cable Statistical Editors,* Mira Dabrowski, Kate Hampford; *Research Associate,* Maribeth Thelen; **Los Angeles:** *Bureau Chief,* Eric Taub; **PRODUCTION:** *Production Director,* Vickie Champion; *Art Director,* Brad Hamilton; *Artists,* Earl V. DeWald, Becky Johnson, Carol Thompson, Brent D. Veysey, Shari Wajda; **ADVERTISING: Denver:** *Account Executives,* Lawrence P. Dameron III, Kimberly Korb, Cathy Lynn Wilson; *Classified Manager,* Suzanne Sparrow; *Customer Service,* Marcia Larson; *Circulation Director,* James Stein; *Traffic,* Pam Macy; **New York:** *Vice President, Sales,* Paul Levine; *Associate Publisher,* Peter Evanow; *Account Executive,* Cathy Rasenberger. **OFFICES: Denver** 2500 Curtis Street, Denver, Colorado 80205 -or- P.O. Box 5727-TA, Denver, Colorado 80217, (303) 295-0900 **Washington Bureau** 1701 K Street, N.W., Suite 505, Washington, DC 20006, (202) 835-0900 **New York Bureau** 488 Madison Avenue, New York, New York 10022, (212) 308-0415 **West Coast Bureau** 101 North Robertson Boulevard, Suite 206, Beverly Hills, California 90211, (213) 659-3965

© Titsch Communications, Inc., 1982. All rights reserved. *CableVision* (USPS 100-430) (ISSN 0361-8374) is published weekly except the week of January 3, 1983, by Titsch Communications, Inc., 2500 Curtis Street, Denver, Colorado 80205 -or- P.O. Box 5727-TA, Denver, CO 80217. November 22, 1982. Volume 8, Number 12. Subscription price: 1 year, $59.00; 2 years, $106.00; 3 years, $142.00. Outside USA: 1 yr.-$109, 2 yrs.-$196. US FUNDS ONLY! Second-class postage paid at Denver, Colorado. POSTMASTER: Please send form 3579 to *CableVision*, P.O. Box 5727-TA, Denver, CO 80217.

Member of the Audit Bureau of Circulations.

Cable follies

What many assumed would be a harmless amateur theatrical at the Plaza Grand Ballroom in New York City was later applauded as a polished musical production satirizing the cable industry. *CableVision* provides a photo and lyric sampler of the production. **Page 197.**

Western Show

More than 12,000 people are expected to attend the 14th Western Show in Anaheim this week. Expected news highlights include The Disney Channel's programming plans, The Playboy Channel's launch and General Electric's Comband system. **Leading the week, pages 23-28.**

Telco repeal

The United States Independent Telephone Association filed a petition with the FCC urging a repeal of telco/cable cross-ownership restrictions. **Leading the week, pages 23-28.**

CRT update

With the filing of NCTA's petition to terminate the royalty fee adjustment proceedings, it is apparent the industry intends to fight the decision, even before it is published. **Leading the week, pages 23-28.**

Denver rewrite

Mile Hi Cablevision proposes a scaled-down cable system for Denver and postpones construction pending approval of its revised bid by City Council. **Leading the week, pages 23-28.**

Sophisticated reaction

The curtain's fallen on Broadway's first live pay-per-view presentation, but the critical analysis lingers. For the promoters, cable operators and picketing cast, the musical played to decidely mixed reviews. **Leading the week, pages 23-28.**

The power of a mouse

Mickey Mouse's charm, Disney's universal name recognition and vast promotional resources will be employed in marketing the 18-hour Disney Channel. **Page 31.**

Foreign product

David Lown's latest venture, Interprod, arranges coproduction agreements among European and North American producers—possibly a new profit opportunity for well-connected entrepreneurs. **Page 36.**

STV force

Cable operators achieved 5-15 percent penetration with *Star Wars*, indicating pay-per-view's strength by satellite. However, some operators have resisted Universal's initial guarantee clause—$6 per view with 30 percent penetration—for the troubled *Pirates of Penzance*. **Page 51.**

Country charm

The Nashville Network's down-home appeal appears to be winning the hearts of big-city media buyers—at $250-$300 per 30-second spot. **Page 65.**

Credible numbers

It is no final solution, but media buyers and cable operators say Audit Bureau verification of subscription numbers will improve cable's credibility. **Page 73.**

Second generation

Cable's second generation, born-and-raised cable, is just as innovative and dynamic as the industry's pioneers and reflects the industry's emerging maturity. **Page 80.**

Trailblazers

Innovators are breaking new trails in two-way interactive technology, video merchandising, advertising space sales, local origination, institutional networking, electronic publishing and security. **Page 100.**

Wiring the inner cities

Success and profit ar not guaranteed in building cable's state-of-the-art urban systems. In fact, the task "borders on the impossible," at least one industry leader says. In this feature, *CableVision* looks

at Nashville, Pittsburgh, Indianapolis, Portland, Dallas, Atlanta, Fort Worth, Omaha, New Orleans, Cincinnati and Denver. **Page 219.**

Jones milestone

Denver-based company surpassed the $100-million milestone via public offerings in the past decade. **Page 263.**

Regional focus: Western states

CableVision provides a directory of service and equipment companies headquartered in Arizona, California, Hawaii and Nevada. Also included is a state by state comparison of cable system activity in the region. **Page 263.**

Tracking chameleons

A New York-based consulting group's recently released study outlines confusing shifts in federal and state regulatory policies. **Page 303.**

California silver

California's subcommittees on cable television seek to balance industry growth with consumer needs. **Page 304.**

This week in PLUS

The more choices a customer has, the more chances he has to change his mind, and change his mind again. And while subscribers can be fast-talked into multipay packages fairly easily, they just as easily become disenchanted when they find exactly what they've bought and for how much. That's where churn comes in. It seems measuring churn is nearly impossible with so many levels of pay to track down. Nevertheless, the industry is nervously watching its numbers. Marketing, accounting and programming departments are all on the alert. Tune in for this year's episode of "As the subscriber churns." **Pages 173-196.**

"If you only sell one system in your lifetime-you want to do it right."

Andrew Fiseman
President

What is your system worth in today's market? How can you get the most for your system and keep the most of what you get? What is the real value today of the dollars you'll receive tomorrow? Who are the active, able buyers today? Who is the best buyer for your system? Which buyers are financially strong with a history of honoring commitments to sellers and to communities served?

You want answers to these questions. You want experienced, knowledgeable assistance, giving you the comfort of professional competence. This knowledge can only come through the experience of representing many sellers over the years. You want value – value added to your once-in-a-lifetime transaction.

coaxial brokerage

555 Logan Denver, CO 80203 303-777-8700

Staying afloat in a sea of churn: Just how bad is the storm?

By Jerl Baker

Want to see some scary numbers? National pay cable disconnects are currently 4.2 percent monthly, based on the weighted average of seven pay networks providing data to "CableVision" magazine.

At 4.2 percent, plus some fraction for networks not reporting, disconnects are running 10 million of the current annual 19-20 million tallied by the seven networks.

Ten million units lost means a drop of more than $1 billion in gross subscriber revenues.

To stave that off, the seven networks alone must sell more than 23 million pay units to match 1981's growth rate.

Want to know something else?

All those numbers are misleading. With few exceptions, disconnect data is actually measuring churn, that baffling amalgam of connects, disconnects, reconnects, upgrades, downgrades and lateral moves.

For better or worse, however, the numbers serve as direction markers. And they reveal the reason that disconnects—unexamined and almost unexaminable—are a bigger issue than they have been in five years.

"It's probably not as bad as the raw arithmetic says," hazards HBO Executive Vice President Tony Cox. And he immediately adds the most soundly factual statement to emerge so far: "With multipay, nobody in this business knows what's going on."

Some outside the business think they do. Disconnects are now the stuff of a great public drama. Each one-point rise in the monthly rate would appear to signal another 190,000 subscribers gone and another $1.7 million lost.

Such figures mesmerize students of a slumping economy, particularly because they can be used to flesh out currently fashionable doubts about cable's health in the face of looming competition.

It was Tony Cox to whom an implacable *Forbes* magazine researcher was passed last summer. "What can I do to convince you we don't have a disconnect problem?" Cox finally asked. The answer, of course, was, "Show us your numbers." HBO wouldn't do that. And when it did it off the record for *CableVision*, it was clear that HBO probably would have had to qualify its data too much for *Forbes*. Unswayed, *Forbes* reported in its July issue, "For the last three months, HBO's disconnect rate has been running alarmingly above normal."

Leapfrogging that article were others in newspapers with national readership whose cable reporters clearly had accepted the going wisdom that subscriber losses are very high.

The truth is that the industry cannot prove it isn't in trouble with disconnects, however much the major networks genuinely may believe it's not. Just as the media watchers' microscope turned on it, cable lost its own ability to focus.

In the last several months, multipay has turned beleaguered programmers and operators into little better than pulsetakers.

As does virtually anything that has to do with churn, the readings of that pulse vary widely.

Disconnects are pay TV's offspring. Basic cable's utilitarian

Multipay's early marketing ploy—sell from the top down, get the consumer to buy the most expensive package—was just not calculated to weather a recession, many say in hindsight.

'No one has a fix on what an acceptable churn rate ought to be for multipay.'

Tony Cox, executive vice president, HBO

nature was altered permanently when premium channel subscriptions became a matter of buying, not buying and changing one's mind.

Now multipay has made pay subscriptions not only discretionary but downright luxurious. And it is multipay that turned disconnects into churn.

Its birth was ill-starred. Multipay found no complacent economy to support non-essential service. It found no universe of addressable converters to cope with switches among service options. It found no well-honed marketing and customer service strategies. It did not even find many clear distinctions among the program choices.

In some markets, not surprisingly, multipay whipped churn to a tidal wave. Reports came of disconnects over 100 percent and downgrades steep enough to wash away basic subscriptions with them.

The alarm quickly was trumpeted to Wall Street. Ellen Sachar, media specialist, took the pulse of the moment in a recent *Research Brief* from Goldman, Sachs. "In cable TV—once the darling and now the disappointment of media investors—speculation abounds over high disconnect rates... We think customer dissatisfaction is a more important cause than economic conditions alone. Subscribers do not mind paying for added home entertainment services, but they want some clear-cut product differentiation for their money... We expect this situation to settle out in coming months as more cable programming services are either discontinued or consolidated. In the meantime, we can only urge investors to wait patiently for earnings growth..."

By the time she wrote, it was becoming clear that cable stocks would be less than stellar performers in the fall resuscitation of the market. Drexel Burnham Lambert's John Reidy attributes the sluggishness to the psychological damage done by the trendy wisdom that cable's hold on subscribers is already slipping. "After all, MSOs profit by lower interest rates, too, so their stock should have surged along with the others. There's a credibility problem."

Hope and hokum

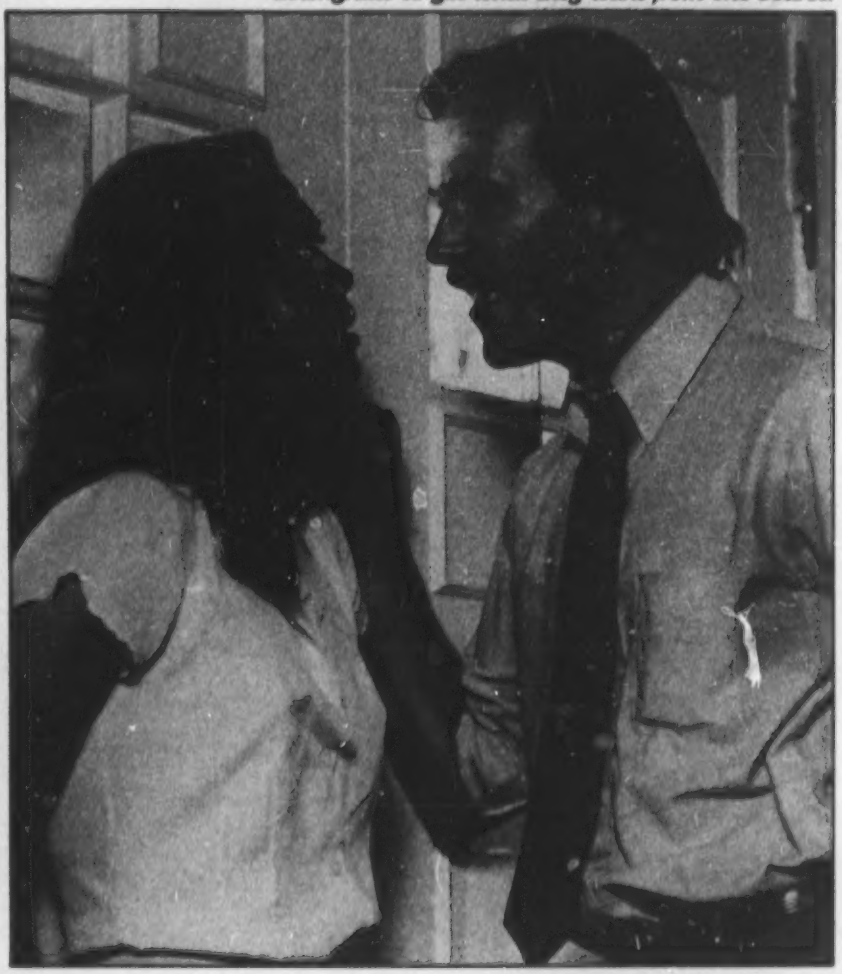
Program suppliers already know that. But they generally have dropped any illusions about what they can and can't know about the character of churn.

Since last spring, when

'There's not a lot of finger-pointing these days.'

Dick Beahrs, vice president, HBO

Pay services tend to run the big-name, non-exclusive films at the same time. When subscribers too often find movies like "Body Heat" on more than one of their pay services, they often downgrade to get what they want from one source.



Storer has found, to its dismay, that in its St. Louis addressable system, people will come on for a single movie and then drop off.

CableVision first began to prepare this article, the whole subject has gone through a distinct metamorphosis.

Then, a reporter was guided through thickets of data provided by pay network competitors claiming a firm fix on mulitpay subscriber retention. The guide who was talking was, by proprietary proof, the one least affected by churn.

It wasn't entirely the smoke of battle. There were numbers that could be marshalled to some effect. But now the traditionally embattled have withdrawn. Each has seen its sample date overturned by other samples. Each of the majors—HBO (for itself and Cinemax), Showtime and The Movie Channel—swears it has no "churn problem." But each approaches far more gingerly the attempt to prove it by subscriber data.

"There's not a lot of finger-pointing these days," mused HBO Vice President Dick Beahrs recently. "We all sat back and said, 'Hmm, we're in this together.'"

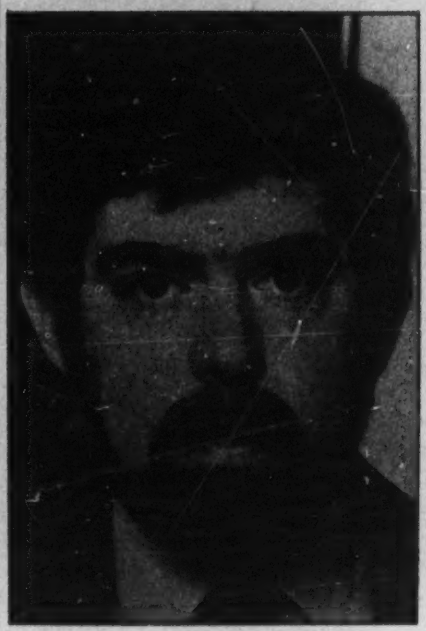
"I can't attack them. They can't attack me. How the hell can anybody else know my churn number if I don't know it?" demanded Marshall Cohen, WASEC's research vice president. Along with HBO's Cinemax, WASEC's The Movie Channel has borne the brunt of churn complaints. Cohen, perhaps somewhat to his initial disadvantage, brought to his cable post a background in national polling with Lou Harris. It has made him possibly the most scrupulous and certainly the most skeptical toward any of the purported churn data, including his own.

Now he's been joined by his peers in acknowledging that multipay simply has overwhelmed the ability of the industry to track it. The comparatively sophisticated CableData, billing vendor to systems serving some 12.5 million subscribers, freely admits it hasn't been able to capture the information needed.

Judging by the tone they use when they discuss it, program suppliers have only just begun to realize how distorted billing reports can be. As CableData President Ray Matteson describes it, if a subscriber cancels one component of Billing Code A—which is, say, a triple pay package of HBO, Showtime and TMC—all three networks register a disconnect. The subscriber is shifted to Billing Code B and the two services he kept show him as a new install. If he happens to upgrade from a dual to a triple pay package, the original two networks he subscribed to show disconnects and then, along with the third he's adding, a new install each. If he moves across the country—as census data suggests 75 percent of all movers do—and re-establishes with the same cable system the same quadruple pay service he had in his old house, all four networks show disconnects and new installs.

The impact of raw numbers on an MSO planning marketing strategy can be enormous. One company that manually picks apart the disconnect report revealed this sample:

A triple pay urban new-build of 50,000 to 100,000-subscriber size registers annualized average disconnects of 67 percent. Investigation found 33 percent of the 67 to be switches and over three-quarters of the switches to be upgrades or lateral moves. Real cancellation orders were



'We gather the data as best we can. As long as you do it consistently, you can keep an eye on trends.'

Marshall Cohen, research vice president, WASEC

actually less than 3 percent a month.

Cabledata's Matteson is unapologetic about the lag in billing capacity, though well aware the company has been used as whipping boy and scapegoat for months.

"The industry grew up with basic. Our software revolved around that world. Now practically every channel is a tier. Our clients understand this takes time. We have no churn among them." (The package required to track multipay exists in prototype, Matteson says, and is about to go into its first market.)

While the networks are genuine in their dismay about tracking that jumbles service switches with service disconnects, the confusion is opportune. They leapt on the overstated data as a convenient veil for a very real problem.

Indeed, billing's imprecision is churn's one truly precise element. The others are the far more elusive factors of marketing and programming missteps and, over all, the capriciousness of the multipay consumer.

Though Cable Data's Matteson finds it unlikely that clients would take the time and money to build an in-house multipay billing program, some MSOs have the computer capacity and personnel to separate disconnects from upgrades, downgrades and lateral moves.

From that data, from independent research, from flocks of auditors sending in field information and from what "we can plead and prod for every month," as Rick Howe, Showtime's marketing strategy chief, puts it, the programmers hazard their conclusions.

Both they and the operators admit they are tangled in a knot of local marketing, accounting and economic factors. So far, they have failed to turn up the statistical correlations between market configuration and subscriber behavior.

The major networks, however, say they trust they have enough information to be safe from surprises. "We gather the data as best we can. As long as you do it consistently, you can keep an eye on trends," says WASEC's Marshall Cohen.

Here, with all the caveats of all the gatherers, are the general multipay trends beginning to emerge:

- The more markets in which a pay service is the so-called foundation—because it is alone, or it is the oldest or it is proprietary to the operator or whatever—the lower its overall disconnect rate. Showtime, which lays claim to the most unambiguous numbers for itself and others, attributes the one-tenth of one point difference between its average roll-off and HBO's to HBO's more numerous single pay markets. (Just to keep the pot boiling, note that HBO says its single pay markets are under 50 percent and dropping; Showtime says HBO has two-thirds single pay markets to its own one-third.)
- The more pay options there are in a market, the more churn there will be (the consumer caprice effect).
- The harder the region has been hit by unemployment, the lower the disconnects (up to a point). But installs plummet much faster and the net result is negative.
- As discretionary income tightens, half the subscribers will decide their pay channels are luxuries and half will decide they are more economical than ever.

Culling culprits

Much of what has been deduced about real as opposed to paper churn looks to the economy for justification. Multipay's early marketing ploy—sell from the top down and get the consumer to buy the most expensive package—was just not calculated to weather a recession, many say in hindsight.

That makes Rod Warner mad. As Storer Cable's marketing vice president, where he was a very early multipay supporter, he campaigned tirelessly for top-down selling. Now an independent consultant, he says that is not the problem now any more than it was then. "Everybody found something to blame churn on: the economy. We never had a culprit before."

Multipay always would have had churn, he charges, because its cause is "inappropriate marketing upfront and lack of retention efforts."

When his former employer slashed by nearly half its anticipated cable profits of $29 million this year, the announcement spurred doubts about the multipay program Storer had relied on to carry heavy system construction costs. Along with the profits estimate, it also has recanted on multipay.

"We don't try to sell five (services) anymore," says marketer Susan Borch. "People are getting smarter."

Arno Mueller, Storer Cable president, wraps up the economy and programming, rather than marketing, as multipay's stumbling block. "The big justification to buy

lots of pay tiers in the first place was convenience—the same movies at many different viewing times.

"Now the subscriber is deciding he can afford to be inconvenienced."

Charges Warner, "We go around blaming programmers when the problem is operational." Predicts Mueller, "The services aren't differentiated enough. Maybe when they are, that will prop up sales."

For many of its peers, Storer served as an object lesson in over-optimism about multipay penetration. Therefore, Mueller's analysis of past and present is notable. So is his obvious disagreement with the architect of the strategy.

Whatever puzzlement there may be about the details of churn, many system marketers and CEOs with whom we talked were concluding that four- and five-level multipay may be unsustainable. Opinions collided about the wisdom of offering them in order to encourage buyers to switch among them.

Do-it-yourself data

A *CableVision* researcher who contacted over a dozen of the top 20 MSOs, found only one making any allowance for switches among services in its disconnect data. The disconnect equations themselves differed enough among the companies to upset the accuracy of any national monthly average.

Cox Cable is among the handful of reliable trackers of churn. David Val[illegible]burg, executive vice p[illegible] of operations, says "If the networks say they don't see a problem and they aren't worried, as they tell me they're not, I tell them they should be worried. A significant number of my subscribers are rejecting their services. We've never had a pool of rejections so big before. Then we have to go out and try to re-sell them. That's expensive. I'd say it costs us $30-40 to disconnect, re-market and re-install someone."

Viacom financial staffers (with more than a little help from President John Goddard, who has an Apple computer at home) came up with an eight-page multiple install input form for manually untangling churn components. Executive Vice President Ed Bennett puts the MSO's real disconnects up by 20 percent in the last six months, with pay losses 20-25 percent higher than basic.

The market-by-market data has turned up such local quirks between systems that were sold the same packages in the same way that analysts are now trying to segment neighborhoods in order to discover correlations.

As early HBO affiliates, both companies are veteran enough to consider churn, as Van Valkenberg does, as perhaps "some kind of phase." It was only five years ago that 98-100 percent of HBO's customers defected within 12 months. (Of that number, the network is only too sure. Single pay cancellations were easy for billing services to track.) There is some expectation that multipay will wobble and right itself in much the same way. "All we need is well-differentiated services," Van Valkenberg goes on. He's echoed by Chris Derick, president of Group W Cable who says, "We can certainly sell more than three distinct services and hold them."

ATC, which has been doing just that for four years, looks calmly down its multipay path and looks somewhat irritably at the ruts in others'. "Our early roll-off numbers were just what people are seeing now," says Chairman Tryg Myhren. "It's just a given that pay tiers will churn at a higher level. There are more absolute disconnects than before, sure. But on a percentage basis, no.

"It annoys me that people aren't doing a deeper study. I've talked to a lot of MSO chiefs and they're not complaining."

A lot of them are, of course, and loudly. ATC's experience is not entirely representative. It moved very slowly into multipay, limiting its services and its markets and waiting for addressability to be available to minimize the need for service calls.

It's precisely those operations costs that sting operators with more markets and more churn. Switches among service options, to a company that has many new-builds is an expensive headache. Acknowledges Group W's Derick, after calmly reducing the company's churn concerns to inconsequence, "Our time is coming." New construction and rebuilds will take more and more of the MSO's attention. Myhren is quick to attribute ATC's tranquility to its possession of a stable base of unruffled markets.

The Joys of churn

There are some. Instead of swallowing the costs of service

'The sift-and-settle approach reminds people there are layers they can remove. You're saying, "Take it off, take it off," and often they just take it all off.'

Rod Warner, president, The R Corporation

The disconnect dimension

In a pay universe this size, even tolerable disconnect levels can amount to staggering sums, when abstracted from annual growth rates. This exercise leaves out the added operations costs of service calls and remarketing.

19,587,000 pay units (seven networks)
x4.2% weighted average disconnects/mo.

822,654 disconnects/mo.
12 mos.

9,871,848 disconnects/yr.
x$113 (assuming $9.40* average pay rate)
$1,115,518,824 annual pay revenue loss

*CableVision estimate

Q.E.D.

If—the mightiest word in any consideration of churn—the pay networks do have the disconnect rates they think they do, here is what each is up against in simply holding even.

Network	Current subs	Avg. mo. disconnect	Monthly sub loss	Annual sub loss
HBO	11 million	3.9	429,000	5,148,000
Cinemax	2 million	5.5	110,000	1,320,000
Showtime	3.8 million	4.0	152,000	1,824,000
The Movie Channel	2.3 million	3.9	89,700	1,076,400
The Playboy Channel	288,000	7.5	21,600	259,200
Bravo	79,000	13	10,270	123,240
GalaVision	120,000	5.5	6,600	79,200
Spotlight	N.A.	N.A.	N.A.	N.A.
The Entertainment Channel	N.A.	N.A.	N.A.	N.A.

Networks were asked to give figures for as close to Nov. 22 as possible. They range from mid-October to mid-November and differ from *CableVision*'s "Cable stats," which are correct as of Sept. 30.

switches, many systems have instituted fees for them. It is, said one, "a tidy little business." Charges range from $5 on up.

"You have to accommodate the customer who wants to flip the pages of a video magazine. But you have to let him know there's a cost to it, too," says General Electric marketer Paul Schonewolf. With eight of his 13 markets addressable, switches are a matter of button-pushing. "For a 1.5 percent increase in churn," says Schonewolf of multipay's 5 percent versus single pay's 3.5 percent, "I'm making $5. We look at it as installation revenue in return for convenience churn."

Telecable Marketing Vice President Gordon Herring says he charges two or three times what GE does in his addressable multipay markets. "There's a processing charge, you have to change the guide, there's the personnel. . . . I'd say it costs $8-10 dollars for a change of service, if you really allocate all the expense." But part of the pricing consideration for Telecable, apparently unlike GE, is to keep people from flitting back and forth among the services every month. "We want them to switch because we are seeing some softening even in the first level of pay. But we don't want them to keep doing it." A delicate maneuver, as Herring says. "There's not a whole lot of mad money around these days."

Storer, too, charges for conversions, though it has found with some dismay that in its St. Louis addressable system, people will come on for a single movie and drop off immediately. Initially, the charge for downgrades was over $20. Now when customers bring in their old converters, they pay $5; if a service person goes out, it's $10. Upgrades (for which some systems don't charge) are free if the buyer comes in, $5 if Storer sends someone on call.

At least one program supplier also finds multipay buyers' tendency to flip services is to its advantage. The Entertainment Channel's Executive Vice President Jack Diller says, "If this were utopia and everyone were happy with what's offered, our niche wouldn't be there. But when a customer calls in dissatisfied, many operators have said they use The Entertainment Channel to offer something completely different."

Unlike any other service except Cinemax, the channel was designed for multipay. It is made, says Diller, to cope with "the more insidious type of churn." Some customers "buy a heckuva lot and intend to make a decision later, after they figure out what they've got." Worse, he feels, is the buyer who buys more intelligently, then finds the services don't match his standard of perceived value. "That's where we come in."

Importance of chemistry

Diller was aware he was on shaky ground with that one. Saying it will encourage upgrades rather than lateral switches, pay network marketers have been advising operators to join their services with some partners rather than others.

Much as King Arthur sensed unrest in his fabled kingdom, MSOs are becoming aware of shifting subscriber loyalty. Programming experiments such as HBO's "Camelot," The Playboy Channel's "American Gigolo" and The Movie Channel's ventures may help to gauge churn.

Diller hastened to add, "We don't want to be marketed in a way that disturbs customer satisfaction. If we just shift subscribers around, it doesn't do anything for the operator."

The precedent for suppliers giving operators advice about certain pairings started with Showtime's embrace of dual pay tiers. Its partner of choice, if it can be said to have had one, was HBO. "We, earlier than most, had to develop the reasons multipay worked," said Showtime President Mike Weinblatt. "It was a matter of survival."

HBO, of course, disagreed with Showtime's belief that the two services enhanced each other. Eventually, it made a similar argument for its Cinemax service, calling the siblings "the perfect double feature." Now, with dual pay developed into triple, quadruple and still more ambitious packages, competing services look to each others' strengths in ways that seem surprisingly generous.

But the point is to discourage packaging that permits multipay buyers to slide around between services easily. The networks risk disconnects, and the operators, as they are reminded by their suppliers, court multiple service calls and general disenchantment.

Showtime had come in for some HBO approval for its effort to differentiate with series, now about eight strong. "It speaks to retention. Everything we do is aimed at retention," says Weinblatt. "You have to identify who you are."

The Movie Channel, perceived by its competitors to have held itself out as an alternative, not a partner, for far too long, now gets nods of approval for its new packaging campaign.

WASEC calls it "multi-choice," a mixed media affair that aims at enhancing what leisure time customers have. To hear National Marketing Director Tom Freston talk about it, it is more an attempt to plump up basic cable penetration than to support the use of other pay services along with The Movie Channel. But to the rest of the pay community, it is testimony to a change of heart.

"The Movie Channel's positioning as a 'go-it-alone' alternative caused it acute problems last year," as HBO's Tony Cox saw it. "Cinemax, HBO and Showtime worked better as team players.

"The cable operator is much more concerned now about composite performance. If the consumer views a new service as an alternative, churn for the system rises, even if churn for the newcomer is low.

To HBO's Dick Beahrs, it all reflects "the importance of chemistry." But changes in the workshop have led to some unexpected explosions in the marketplace.

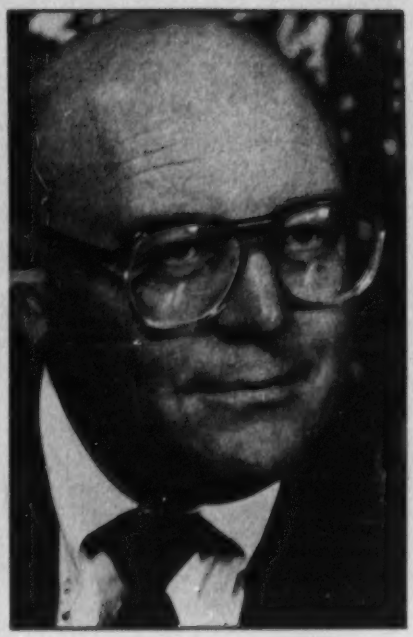
Shifting the balance

HBO recently abandoned its strategy of doling out big-name movies throughout the month. Because all the services had the titles that were non-exclusive at the same time, competitors (read: The Movie Channel) scored an easy *coup* by frontloading—running the attractive films early. HBO decided that many people were left thinking The Movie Channel was where they saw most of what they watched. Now HBO frontloads.

That's fine for HBO in markets that have more than two pay services, grumbles United Cable's Charles Townsend, marketing vice president. But in a United market that has only HBO and one other service, HBO is dropping subscribers. Other United markets will make pay options corroborate HBO's bet that if the ploy does indeed cause disconnects, it won't be from HBO. In the dual market, "with the even schedule, it meant the consumer had reason to watch both services," says Townsend. "He may not have been watching HBO as much, but he was happier."

The inadvertent local impact of a sensibly competitive national move demonstrates two things: One, the new team spirit among the services only goes so far. Two, more importantly, as the stakes get higher, operators and programmers are going to find new areas of disagreement.

Daniels & Associates is looking unhappily at an analysis of the correlation between foundation service prices and penetration of second and third pay tiers. If, as preliminary data suggests, multipay penetration goes down as the price of the foundation service goes up, the MSO sees its opportunity to sell multipay tiers declining. The foundation service may not really care whether more levels are sold, though spokesmen do seem to have widened their view, based on attitudes quoted above. As for the MSO, Jerry Maglio, marketing and programming executive vice



'Now the subscriber is deciding he can afford to be inconvenienced.'

Arno Mueller, president, Storer Cable

president, "resent anything intended to limit my business. The 'me first' position of every supplier has to stop."

The Playboy Channel, too, got caught briefly by a churn-induced programming shift. For a short time, it experimented with adult-oriented blockbuster movies—*American Gigolo* was one—that were also running on other pay services. It was a move dictated by Playboy Enterprises, which may have been testing its ability to widen its base. The result: Disconnects increased and subscribers complained of the overlap.

Overlap is going to be a problem for Showtime, too, some system-side marketers predict. Its own differentiation campaign had hoisted it into late-night adult programming. On the one hand, disconnects rise among viewers offended by the fare. And on the other, it appears to cause disconnects from The Playboy Channel and HBO by inviting the buyer to downgrade to Showtime and get enough of what each offers from one source. "It's a very interesting strategic quandary," said one MSO marketer whose systems have shown the predicted effect. "They're polarizing their subscribers." And their affiliates.

Sift, select, settle

As *CableVision* has reported at length in other issues, experiments in differentiating and strengthening programming—from HBO's *Camelot* to Showtime's series, from Playboy's dalliance with high-end movies to The Movie Channel's with studio partners—is a ferment equalled by marketing re-evaluation in the face of churn.

After all, the programming is the same nationally and the acceptance of it isn't. There has been neither enough time nor differentiation among the networks to presume churn rates are the result of a real popularity contest.

Especially in new markets, where pay options are most numerous and churn most energetic, system-by-system results may reflect nothing so much as the luck of the draw: What service(s) got there first, what's best marketed, what's best positioned, what's best known? Whatever winds up the runt of the litter can get buffeted pretty badly—and stories abound to put almost any network in that position in at least some sprinkling of markets.

Thus, the onus for churn is apt to fall on marketers. "It's certainly easier to re-package what we've got than to start tinkering with programming that's hardly been judged," said a veteran marketer recently.

Group W's Chris Derick was more blunt: "What some people call aggressive marketing"—and the overselling that leads to quick roll-off—"I call marketers' klutziness."

It is certainly true that the less identity a product has, the greater the danger that consumers' hazy expectations will run too high and their satisfaction will be too low. But there is scarcely a better differentiated pay service than all-Spanish GalaVision. So what happened to GalaVision in a recent launch is an extreme but pointed reflection on the state of system-side marketing.

It was, to put it mildly, a case of the consumer not knowing what he'd bought. One unnamed MSO's marketer packaged GalaVision with other pay services and sold it widely. They also apparently encouraged the package subscription by using the other ploy that sets programmers' teeth on edge: They told the new subscribers to try everything, select what they liked and disconnect the rest.

"We *invite* them to cancel," groaned The Movie Channel's Tom Freston of an approach that has fallen precipitously out of favor. "It's that sift-and-settle approach that reminds people there are layers they can remove," agrees Rod Warner. "You're saying, 'Take it off, take it off,' and often they just 'take it all off.'"

That's what the GalaVision subscribers did. When they discovered they were paying $30 for something that contained a channel they couldn't watch, they canceled the whole package by the hundreds.

Andy Goldman, vice president of GalaVision's parent, SIN, says the same thing happens, somewhat more understandably, with Hispanic families. They are sold a package of pay services of which the bill-payers in the family—the parents and grandparents—can watch only one. They perceive the price of that one to be the full $30 or so charged for the package.

According to preliminary data, for every 10 disconnects, five cancel the whole thing.

It is that sort of precipitous skid, in which the urban subscriber may even drop basic as well, that has rattled operators. Most MSOs interviewed for this piece had seen basic disconnects affected by

'Everything we do is aimed at retention. You have to identify who you are.'

Mike Weinblatt, president, Showtime

disgruntlement they attribute to multipay.

How much is too much?

Basic cable always has tracked the move rate, running 2-3 percent monthly. It was predictable, easily outdistanced by new subscriptions and has never been the source of alarm.

Now some fear even that solid core of the business is vulnerable. In urban markets, subscribers are drawn by pay services, not by undermarketed basic. If pay sales can't be held, basics have no hook.

"If somebody cancels everything, it's because we made him mad," says Storer's Susan Burch reasonably. And keeping peace with the subscriber has become a major part of the business.

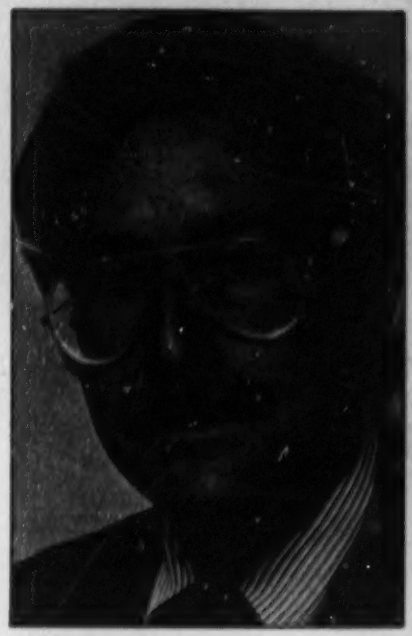
"We've always paid lip service to training," says Viacom's Ed Bennett. "Now it's happening." Customer service reps—who have an average life span of 45 days on the job—"deal in volume; they handle things most efficiently, not always most effectively." Now MSOs are separating phone banks so the first line of CSRs can turn a cancellation or downgrade call over to a salvage specialist.

Viacom has instituted sales accountability in its regions that makes area management responsible for negative business as well as for positive. It's another line of specialists to be called in for direct contact with the discontented subscriber. Cablevision Systems Development's 51-entry tracking program for its 12 service levels separate out every "soft" disconnect—a cancellation caused by dissatisfaction—for guidance in a highly regarded training effort.

On the supplier side, retention has become the major concern. Retention programs are the leading component of HBO's marketing budget; Showtime has doubled its spending on save-a-customer efforts this year over last; The Movie Channel has concentrated the bulk of its marketing money on retention since June.

But if you were to try to quantify what all the work aims at, no one would have an answer. "No one has a fix on what an acceptable churn rate ought to be for multipay," HBO's Tony Cox shrugs.

Single pay services, once they became a standard of the business, settled in at twice the basic disconnect rate—4 percent monthly. All the major pay services say that it



'With the even schedule, the consumer had reason to watch both services. He may not have been watching HBO as much, but he was happier.'

Charles Townsend, marketing director, United Cable

'What some people call aggressive marketing I call marketers' klutziness'

Chris Derick, president, Group W

still what they average, but each uses separate gauges for single and multiple pay markets.

There are also separate gauges for markets of different age. There is a standard pattern of activity in any new product introduction and different levels of disconnects have begun to seem common for them, says Showtime's Rick Howe.

One, the roll-off period: Within 30-45 days, the customer decides his expectations weren't fulfilled and cancels. "It's a marketing problem," Howe says, "but if you don't have some roll-off, you're not selling hard enough." His estimate: 5-7 percent disconnects in the initial period "is OK."

Two, the honeymoon: For four to five months, the customer makes a decision to give himself some familiarity with the product. Says Howe, "You expect about half the level you had during the roll-off height."

Three, product re-evaluation: The subscriber is quite clear about what he doesn't watch. Disconnects run 8-9 percent.

Four, the plateau: Disconnects are at a minimum, provoked by moves, reduced economic circumstances or a rate increase.

The agitation over churn clearly has its merits. It has galvanized marketing, accounting, programming and statistics. "Even if you're just going on gut feel," says one MSO financial planner, "you know the hidden costs of churn can kill you—the front office, the service crew, the salespeople, all costing you money while they just try to hold subscribers still. That alone is enough to make you act."

Churn is an inescapable ripple effect of multipay. But are the forces that whipped its disconnect component to worrisome levels internal or external to cable?

"Multipay took off just as the economy fell apart," says Daniels' Jerry Maglio. "We've done very well competing for dollars. It will only get better as the economy turns around."

Others are more dubious. To them, it seems the industry has stopped running long enough to look itself probingly in the face.

Whatever statistical details may emerge about tracking and predicting churn, churn means choice. And choice is an expensive luxury for operators just as it is for consumers.

© Titsch Communications, Inc., 1982. All rights reserved. *CableVision Plus* is a supplement to *CableVision* magazine, published by Titsch Communications, Inc., 2500 Curtis Street, Denver, Colorado 80205 or P.O. Box 5727-TA, Denver, CO 80217.

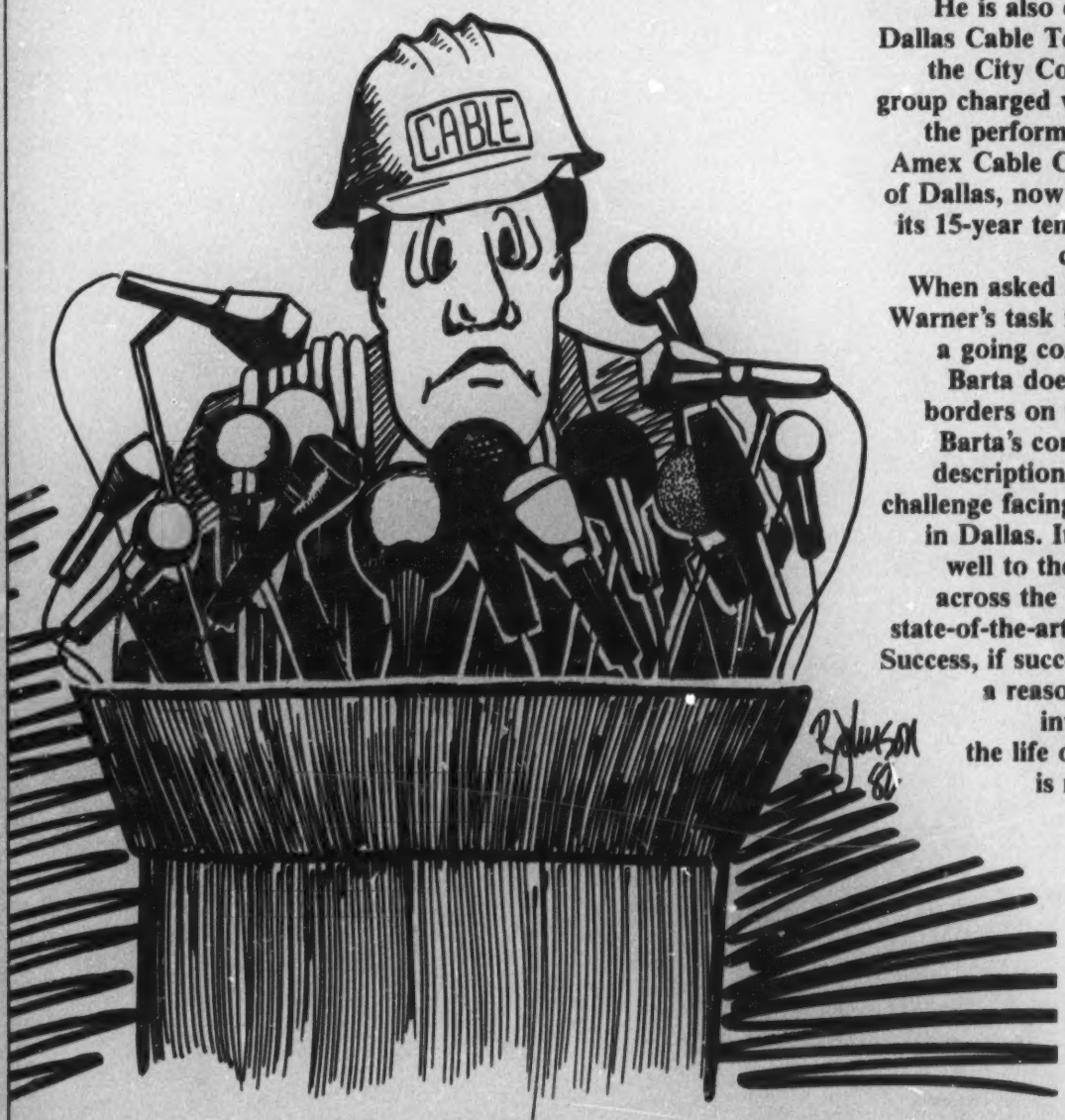
'We've always paid lip service to training. Now it's happening.'

Ed Bennett, executive vice president, Viacom

The hottest story in town

Does cable make cents or nonsense in the big cities —where the media are ever alert for mistakes and the old economic formulas don't always apply?

By Fred Dawson



Joe Barta is a businessman. He is also chairman of the Dallas Cable Television Board, the City Council's advisory group charged with monitoring the performance of Warner Amex Cable Communications of Dallas, now 19 months into its 15-year tenure as the city's cable franchisee.

When asked how he sizes up Warner's task in making cable a going concern in Dallas, Barta doesn't hesitate: "It borders on the impossible."

Barta's comment is an apt description not only of the challenge facing Warner Amex in Dallas. It could apply as well to the state of affairs across the board in cable's state-of-the-art urban systems. Success, if success is defined as a reasonable return on investment during the life of the franchise, is not guaranteed.

Ironically, bodies such as that chaired by Barta are playing no small part in making his assessment of big-city cable true. But the regulatory environment is far from the most significant factor in shaping cable's challenge in the cities. In fact, there is no one most significant factor. There are many, and in the ensuing pages, *CableVision* will look at all of them as they present themselves in Nashville, Tenn., Pittsburgh, Indianapolis, Portland, Ore., Dallas, Atlanta, Fort Worth, Texas, Omaha, Neb., New Orleans, Cincinnati and Denver.

The focus here is on cities, despite the fact that very advanced systems are up and running in the suburbs, where emerging cable economics are extremely important to the industry's well-being. But it is in the cities that the largest capital outlays are to be found and risks are highest. And it is these large population centers that must provide the subscriber base to support the multitude of programming and other service ventures that comprise the industry today.

In most of the cities surveyed, there has been enough operating experience to afford at least preliminary analysis of marketplace realities. Some of these systems, all of which were enfranchised after January 1, 1979, have had subscribers since early 1980. Others didn't turn on their first subs until early this year. And one—Denver—has yet to get underway.

But, in most cases, intensive door-to-door sales campaigns involving tens of thousands of households have produced enough evidence to assess the level of initial acceptance in the urban environment. With just about a third of the potential homes in these cities already reached through door-to-door sales, aggregate basic penetration stands at 221,400 or 36 percent.

That's a long way from the 50 percent or so envisioned in *pro forma* projections for these markets. But, as shall be seen, there is considerable disagreement over just what these numbers portend. The average pay-to-basic ratio in these cities currently stands at about 2.2-to-1, and, again, there is no consensus on the significance of the statistic.

> 'We're totally under that public eye, constantly brought up before council. That's an extremely frustrating part of this business.'
>
> David Van Valkenburg, executive vice president, Cox Cable

But no matter how one analyzes the latest urban market developments, it's safe to say that they are good indications of what's in store generally as more and more city systems come on line. In fact, given that the Milwaukee, Sacramento, Boston, New York outer boroughs, Tuscon, Tampa, Miami, Chicago, Minneapolis, St. Paul and other systems currently proposed will at least match the most advanced of the 11 cities examined in this article, the urban challenge is likely to get tougher as these newer systems come on line.

Yet, even with that degree of difficulty the story of cable operations in the urban environment is not a bleak one. To the contrary. At a time of raging recession bordering on depression, with over 30 percent of the nation's industrial capacity and better than 10 percent of the work force idle, the cable television sector presents a refreshing picture of corporate enterprise and individual initiative pumping millions of dollars into local economies and bringing to the long-passive American television audience the opportunity, finally, for personal involvement in the nation's leading mass medium. If anyone doubts the determination of the players in the unfolding cable drama—business and non-business participants alike—to bring off the long-awaited revolution, he or she need only travel to Omaha, Pittsburgh, Indianapolis or the like to see that, next to impossible or not, it's happening.

Urban cable operations, involving as they do everything that is the cable business, comprise a complex issue for analysis. Construction, technical performance, marketing and sales, community relations and the regulatory environment, operations, converters, guides, local programming, advertising, ancillary residential and commercial services—all are part of the story.

The place to begin is with how the operators have been faring in their efforts to get the cities wired.

Construction and performance

It's no secret that with some 120,000 miles of new-build and another 50,000 miles of rebuild plant going in in 1982 alone, the cable industry has had its share of headaches. The surprise in the major city new-builds so far is how smoothly things have been going.

Aggregate plant mileage of the systems examined in this article (exclusive of institutional plant) comes to 19,700 miles, 12,000 of which is 400 or 440 MHz plant,

Ten operational city systems at a glance

	Franchise granted	First turn-on	Year of completion	Channel capacity	Potential miles	Miles activated	Potential households
Viacom/Nashville	2/79	5/80	1983	35	1,800	1,040	165,000
Cable America/Atlanta	1/80	12/80	1983	54	1,600	1,200	180,000
Warner Amex/Pittsburgh	2/80	12/80	1983	80	700	680	170,000
Warner Amex/Cincinnati	11/80	1/82	1983	86	1,525	430	161,000
Cox/Omaha	9/80	9/81	1983	54	1,095	712	125,000
Cox/New Orleans	12/80	4/82	1984	54	4,746	950	220,000
ATC/Indianapolis	2/81	1/82	1983	40	1,100	400	140,000
Sammons/Fort Worth	3/81	12/81	1984	61	1,430	600	160,000
Warner Amex/Dallas	4/81	1/82	1985	80	2,383	822	400,000
Rogers/Portland	5/81	12/81	1984	57	940	250	130,000

*Households marketed refers to number of homes reached in door-to-door sales campaign.
**Full-scale marketing just getting underway at press time.

Titsch Communications, Nov. 1982

including some 9,000 miles of dual subscriber trunk and feeder.

At $19,000 per mile, the urban new-build average, that's $380 million worth of residential cable and line electronics. All told, the capital construction tab for these eleven cities comes to over half a billion dollars.

Yet, despite the size and pace of this commitment, the cable operators are well ahead of building schedules mandated by the franchise agreements in these cities.

There's no mystery as to why that's the case. As Warner Amex Cable Chairman Gustave Hauser observes, "The question is not one of dealing with the cities. What does the city care whether you're a month ahead or behind? They lived for all these years without cable. They took their time granting franchises. The issue is with the cable operator, because we want to get completed as quickly as possible in order to get the subscriber revenue.

"It's really an internally driven situation, not a question of complying with some nonsense in the franchise. And the ultimate question, in any event, is, did we finish the whole system on time? And in each case, we've been ahead of time and will be on the other projects, too."

Of course, there have been problems, ranging from the nuisances associated with sometimes less-than-professional subcontractors to major hassles with make-ready and bad weather.

Sometimes the trivial problems have an uncanny way of happening at the worst moment. *Cincinnati Enquirer* television critic, Tom Brinkmoeller, one the last people a cable operator would want to offend, tells this story: "We had two subcontractors, one up in a bucket. I had come home from work one night and thought I'd lie down for awhile. I was asleep about five minutes when I was awakened by this guy in the bucket with a radio on so loud I could have heard it three blocks away. Well, that's OK, I can live through that. But I started watching, because they drew my attention. The other man was climbing a tree, breaking off limbs while he was trying to thread cable through. All of a sudden he screams and jumps down. It turned out his partner had pulled the bucket over into the tree to hide in the leaves while he relieved himself."

In a rare case of media restraint, the story did not get into print. But many do, and in the construction phase as in other aspects of operations, the readiness of the press to turn a horror story into good copy has been a plague to operators. Brinkmoeller's paper wasted no time giving space to complaints about property damage occurring from underground cable installation. However, were the damage a function of city sewage or phone company operations, it might never have gotten such play. But,

> 'You'd be naive to think that cities don't try to plant stories occasionally to try to get things done.'
>
> Sam Nunn,
> cable communications officer,
> Fort Worth, Texas

as Annie Hall, Warner Amex senior vice president for corporate affairs in Dallas, notes, "Cable is a sexy issue right now."

Generally, make-ready operations have gone much more smoothly in these new city systems than has been the case in the past. Jeff McQuinn, who took over as manager of ATC's new Indianapolis system July 1 of this year, says his company has had "excellent cooperation" from Indianapolis Power and Light and Indiana Bell. "They've been maintaining a pace of make-ready that has allowed us to build the system about as fast as we can go."

McQuinn adds he's pleased with that construction pace, which has been maintained by ATC's own construction crews without outside subcontractor assistance. "I hear an awful lot of horror stories out there about contractors whose work just doesn't get done, about changeovers and delays and everything. While everything hasn't been perfect the way you diagram it on paper, and I'm not sure any thing ever really is, on the whole we're really moving at a nice pace."

The only serious make-ready or associated complaints that came up among the cities surveyed for this article concerned Pittsburgh and New Orleans. Pittsburgh's was an especially troublesome problem. According to Ted Campbell, the Warner Amex system manager there, Duquesne Power and Light underestimated the amount of work that would go into accommodating dual plant. "Pittsburgh is surrounded by very old cable systems, and the utility company was used to handling their needs. Despite all the assurances during the franchise process to all the bidders that they were geared up and ready to move, they found out very quickly that this was not going to be the normal cable build. They held us off and turned over the first poles in April of '81 in very small areas. Meanwhile, we had crews geared up waiting to do at least 50 miles a month. That was the biggest problem we had in the construction process."

Still, the Warner Amex crews were able

Households marketed*	Basic subscribers	Pay to basic ratio	Price top basic tier	Number of pay services	Price range of pay services
80,000	28,000	1.85	$7.95	3	$9-$10
98,000	36,000	2.5	$8.50	4	$8
119,000	50,000	2.4	$9.45	5	$4.95-$9.95
**	**	**	$10.45	4	$3.95-$7
67,600	37,000	1.9	$8.50	7	$6.95
30,000	15,000	2.5	$7.95	4	$7.95
45,000	15,000	2.3	$6.50	4	$4.50-$6.50
28,000	9,000	2.4	$7.95	8	$6.95
108,000	16,900	—	$9.95	5	$4.95-$7.45
36,000	14,500	2	$10.45	4	$6.95-$7.95

to meet the city's first stipulated deadline, which was to have 25 percent of the system completed by February 1982.

In New Orleans, the problem was with pole charges. According to Bill Groom, manager of the new Cox system there, "We had one utility company that thought they had us in a corner and tried to hold us up on price. But the City Council understood the situation and pressured the utility company to come to terms with us. We still ended up overpaying but not nearly as much as we would have if the city hadn't intervened and let them know they couldn't get away with the game." Despite these hassles, Groom reports Cox is well ahead of its construction schedule with some 30,000 homes passed since work got underway at the end of last year.

The watchful eye

Success at meeting construction deadlines, however, does not necessarily translate into an easy time of it when it comes to dealing with city administrators. Although most of the systems surveyed report fairly smooth relations with their regulators, most also are quick to point out that life as a business entity would be much easier if virtually every decision did not require city scrutiny and, in some cases, approval.

For example, Rogers' system in Portland, Ore., Cablesystems Pacific, has had a record of extraordinarily good relations with the city, despite a rough franchise battle. According to Don Weidner, the city's director of cable communications, "There have been no franchising difficulties. There has been no need for any unusual or extreme franchise enforcement. The city's philosophy is there are three essential parts to a cable system: the public's interest, the cable company's financial viability and the city government's need to be in general control of the operation. And that little three-part triangle is working very nicely." Complaints from the public, he added, have been "extremely minimal."

> One MSO chief executive, off the record, laughs ruefully at what he refers to as the 'list of franchises they wish they hadn't won.'

Nonetheless, in Portland's case, the city's need to be in "general control" means that Cablesystems Pacific must go through a tedious process of winning city approval to alter its packaging structure. According to System Manager Frank Nuessle, "The city of Portland has been very cooperative in understanding that we are a front edge developing technology, and our relations with the city are very good. But the only way that has happened is that we've earned it. We've proved we meant business and have met our commitments.

"But with that established, I'm all in favor of the Goldwater Bill, because I think the local governments ought to get the hell out of the cable business. Our relations with the city are good, but I don't think the city ought to be in the cable business. It presents some constraints to running the cable business. I've been to the city and have delayed the introduction of this new service, because they want to futz around with it. But that's a reality of life in the cable business. Given that I have to deal with it, I certainly couldn't ask for better relations."

Indianapolis, New Orleans, Atlanta, Pittsburgh, Nashville and Kansas City all report relations with their city governments on a par with those between Cablesystems Pacific and Weidner's office.

But elsewhere things haven't been so smooth.

At one extreme is the overzealous city enforcer. In one large city recently, the ever-vigilant watchdog spotted a box containing a VCR that the cable company was obligated to supply to one of the city offices. The box had been opened prior to delivery!

The watchdog was quickly on the horn, and soon the public relations man was down to survey the damage. Surely, he reasoned, there must be some explanation for what the administrator suspected was the cable company's nefarious efforts to pawn off a used VCR on the city fathers.

And indeed there was an explanation.

AMERICAN
BUSINESS CONSTRUCTION

Specialists in Total Underground Construction

- Tap Audits
- Design
- Consulting

Over 15 Years Experience

360 Brookes Drive • Hazelwood, MO 63042
(314) 731-3324
Attn: David C. Miller, President

CATV & SMATV
TURNKEY
SYSTEMS

- Addressable Tap Systems
- Cable Plant Hardware and Accessories
- Distribution Equipment and Cable
- Software Services and Development
- System Leasing and Financing

mc
Merrill
Communications Inc.
7540 West Osborn Road · Phoenix, Arizona 85017
(602) 271-9181

See us at the Western Cable Show Booth #533.

All new equipment, it seems, whether VCRs or converters, is inspected by the cable company to ensure it operates before signing for the delivery. And to do that one must open the box. But just to make sure he wasn't being hoodwinked, the administrator showed up a short time later at a loading dock to count boxes on the next shipment.

Uncommon as such scrupulous concern for the public well-being might be, still, operators must contend with a politicized atmosphere stemming from the often abrasive franchise wars.

Says Hauser, "You start out bedeviled by people wanting you to do everything yesterday and being nagged by all sorts of regulatory boards, commissions and whatever, who have this as their cause in life and who don't really understand that you're trying to run a business. You can play games so long, but you have to finally confront the business reality. We are making a major investment in these places, and I think the political atmosphere that prevailed during franchising has to settle down."

He cites a not-too-hypothetical example of what's happening in some of these markets. "You have a set of drawings or whatever that said you would go two blocks east and turn south. Well, it turns out you can't turn south because there's no duct or there's a rock outcropping, so you have to go a little farther east and then turn south. You go to the city and say, well, we have to do it a little differently, and the administrator says, 'Gee, I can't approve that, it's a change. I'll have to put it to the City Council.'

"The City Council shouldn't be dealing with questions like this, because they have no ability to cope with this. What do they care? So it gets to the City Council, and there you find the councilman whose side lost in the franchise fight. He decides he's going to get a headline: 'They're violating the franchise. They should drive right through the rock.' You sit there and scratch your head and say, are we in never-never-land, or what?

"I think the cable companies are going to have to confront these problems, because we can't conduct a business in this atmosphere. When you get a negative article a day in the newspaper or on TV or whatever, every day, day after day, it can give the public a subliminal image that this is an incompetent organization. Here we are pulling off miracles, building more plant in a year than probably anybody in history. But the big story is about how they lopped a branch off a tree."

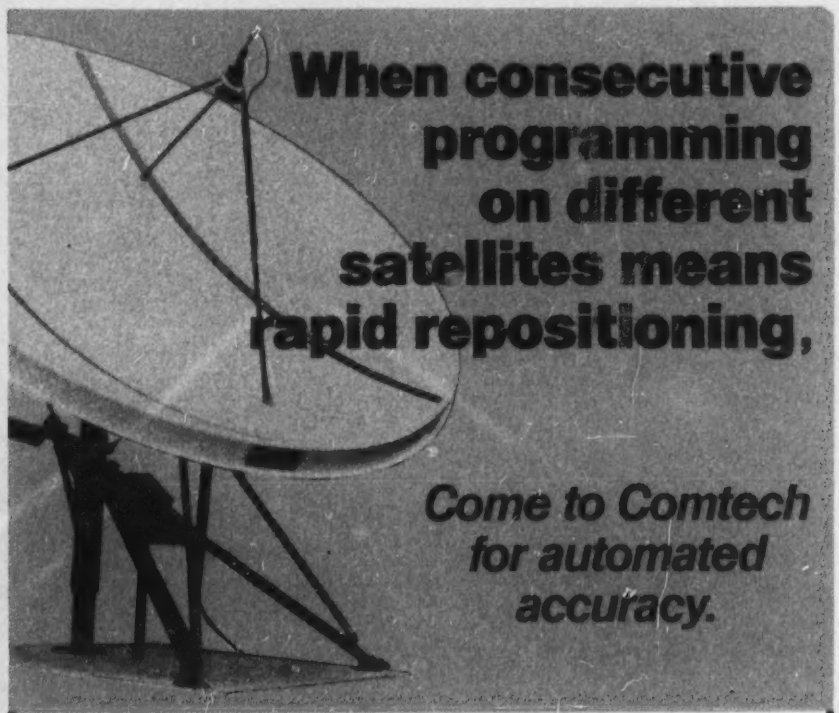
What, exactly, does the cable company do to combat this sort of thing? "You try all different ways," Hauser says. "You have a whole staff of people to go hold people's hands. Look at every one of these cities. They have an administrator and staff. They have a public board of some kind. They hold meetings all the time. You have a lot of communities in some areas. Each community has 10 councilmen, a fire chief, tax collector—about 20 people per community. With 50 communities in Cincinnati, it's a thousand people we have to interface with at a moment's notice. And that's okay, except it costs money.

"In a five-year build, you might be three days late on any given street. Last year we had the worst winter in history in the Midwest. Not a car moved in the St. Louis suburbs for most of the winter. They were paralyzed. But that's no excuse for being a day late in community 27."

Generally speaking, despite the continuing politicization of the city cable environment, the cable companies, often with full-time public relations staffs and a willingness to spend whatever is necessary to keep things cool, have managed to put out the fires with minimal damage. Interestingly, the very local owners whose role in the franchising process is often a cause for the sustained political ill will have proven useful in keeping the lid on problems.

In Omaha, the local owners' group, led by Mike Yanney, a businessman who is president of Cox Cable Omaha, has served the company well in keeping lines of communication open, says to System Manager Jim Vodak. "We have advisory meetings with them on a regular basis," Vodak notes. "These are not pushover meetings. We report to them, and they ask us some of the same tough questions the city asks."

Tough questions have been fairly frequent as Cox has built Omaha, and they've touched on virtually every aspect of difficulties typically encountered in a city


When consecutive programming on different satellites means rapid repositioning,
Come to Comtech for automated accuracy.

Comtech's **fully automated 5 meter polar mount antenna** can provide you with cost-effective speed and accuracy—and warrantied performance. Complete earth stations, including video receiver, modulator, LNA etc.—prepackaged and system tested—are available from Comtech Antenna Corp., P.O. Box 428, St. Cloud, FL 32769, (305) 892-6111, TWX 810-870-0220 or Comtech Data Corp., 350 North Hayden Rd., Scottsdale AZ 85257, (602) 949-1155, TWX 910-950-0085.

COMTECH
Comtech Data Corporation
Comtech Antenna Corporation
Subsidiaries of Comtech Telecommunications Corp.
Creative solutions in satellite communications.

See us at the Western Cable Show Booth #196A

HIGH NOON

The Big Show Down in Texas

This is your fight.
Dramatic changes are going to effect cable and your future. High Noon is the time to meet these challenges. But you don't have to face the odds alone . . . we'll make sure that you get the drop on the competition at the 23rd Annual Texas Cable TV Association's Convention and Trade Show. We'll have the largest exhibitor's show ever, intensive seminars and educational programs to help you stand the dynamic growth ahead. And with the host city being 'Ol San Antone, this is one fun-filled, spectacular shoot-out you won't want to miss. Make your plans now!
Stand tall at High Noon!
February 2nd through 4th, 1983.

For booth show, advertising and registration information, please contact;
W. D. Arnold

The 23rd Annual Texas Cable TV Association's Convention and Trade Show

P.O. Box 13518 Austin, Texas 78711
Or call; 512/474-2082

new-build. Concern over the pace of construction, a high failure rate in the early delivery phases of addressable converters and inadequate staffing to handle an unforeseen volume of phone calls brought attention from the media and the city administration. But things are much smoother now, thanks to the company's willingness to do what had to be done to stop criticism.

"I think our relationship with the city officials is a good one," Vodak says. "That's not to say that they're pushovers. We've gone through a couple of issues here. They made sure we met our commitments, and they're doing it on an ongoing basis.

"I'd like to characterize the relationship as our working with them to provide a good system in Omaha, but they are also reading the franchise very closely to make sure we are delivering what we said we would. I've seen so many cases where in dealing with cities it automatically becomes a we versus them type thing. I've strongly tried to point out to them that there's nothing wrong with them pulling us up short if they find that we're not doing something, but I would hope that our relationship goes beyond that. We are working with them to provide a good cable system in Omaha. Particularly in the areas of access programming and things like that, we've always been very open with the city and in our opinion have even advised them on things that we probably didn't have to advise them on."

Is the city amenable to avoiding the "we versus them" syndrome? "I hope so," Vodak says. "You never know. There will be some (on the city's advisory committee) who will come out and look like they are really pinning us to the wall. On the other hand, there will be others who won't do that. We're going to work to make that relationship work, and we hope they do, too."

The difficulty in establishing such a relationship often stems from the fact that the meetings with city advisory groups are public and well covered by the press. If a complaint comes up in such meetings, more often than not, it is pounced on by the press. Says Mike Kohler, public relations director for Cox Omaha. "Our relationship with the committee behind the scenes is a heck of a lot better than the public really knows."

But Vodak and Kohler understand that negative news is the grist of the media mill and don't really fault the performance of the press in Omaha in its coverage of cable. "I think on balance the press has been fair," Vodak notes. "Early on we had a lot of criticism directed at us—before my time here (Vodak joined the company in March of this year)—and I think some of that was due us for some of the things we were doing. On the other hand, I think they didn't ask us enough about our views. That's why we have a public relations staff now. We don't want to be in a position where the only time we talk with these people is when there's a problem. We've meant a lot to this community. We've employed a lot of people at a time when people aren't employed. The business leaders in town are very positive on us, and somehow we've got to get that message out."

Dallas dilemma

In the early days of public access television, a studio camera that focused 24 hours a day on a fishbowl became the symbol of high expectations versus reality. Today the cable company suddenly finds itself inside the fishbowl, still trying to square high expectations with reality.

Dallas may be biggest fishbowl of all. Annie Hall, who started out as director of franchising for Warner Amex's Dallas operations, says she's as busy now as she was then keeping up with the steady demand of meetings, reports and answers required in the highly visible city franchise oversight operation. A number of changes in plans and start-up problems have left a well-worn trail between the Warner offices and City Hall, and the press has been there to record the comings and goings with a vengeance.

The full citizens, advisory committee, the Dallas Cable Television Board, meets once a month, and the committee's five subcommittees also meet regularly.

Last year, the company had to win city approval to shift the headend site from slightly north of the downtown sector to slightly southeast. It had to win permission to offer SMATV service in unwired sectors of the city to stem encroachments from competitors who were able to wire apartment dwellings far in advance of when Warner could get to those neighborhoods. And there was a flap over a proposed delay in the turn-on of QUBE service. All of these requests kept the cameras glued on the cable company.

Currently, Warner has had to deal with the affirmative action issue and with questions from the citizens committee concerning the low level of penetration in the high-minority concentration neighborhoods of the southeast, where Warner is committed to installing plant in the first phase of construction.

Members of the black community contended that Warner's commitment to minority hiring in the highly publicized "Page M-7" section of the franchise contract required the company to subcontract door-to-door sales. The individuals raising the issue said the contract, stating Warner "could" hire minority contractors, meant it would. Instead, Warner chose to keep the sales force under its own wing, hiring a full complement of minority workers and training them in its sales program. After intensive wrangling and much publicity on the issue, Warner was given a vote of confidence by both the citizens' group minority subcommittee and the full cable board as having fulfilled the "spirit" as well as the letter of the franchise contract in this matter.

Now the problem has to do with the slow rate of penetration in the area south of downtown. The board is wondering whether the low penetration rate (10,906 subscribers, excluding SMATV hookups, out of 108,000 homes passed as of August 17) is a function of low public acceptance

of cable or a less-than-strenuous marketing effort. The board is concerned that the marketing effort is lagging because it suspects Warner is having major technical difficulties resulting from its decision to shift the headend site from just north of downtown to the southeast end. The company emphatically denies this is the case, contending that, as its construction moves beyond the poorer sections of the construction area, penetration is picking up rapidly.

The board feels the headend location—requiring extensive microwave signal importation from hub sites in west and east Dallas—may have been a mistake. The issue is extremely sensitive because the headend site north of downtown, where real estate is especially high-priced, could only be shifted with city permission, which was granted based on company assurances that the change would have no bearing on technical performance.

Distrust over the issue has reached a point where the cable board has demanded that Warner submit its phone logs as a means of determining how many calls have been related to technical problems. In addition, the company has had to tell the board what its penetration rates have been in other city new-builds. That report, showing 27.7 subs per mile in Houston, 70 per mile in Pittsburgh and 33 per mile in Cincinnati and suburbs as compared to 16 per mile in Dallas, has added fuel to the issue.

Such suspicion, probing and publicity necessarily raise the question, exactly what is the substance of the issue here? Even Joe Barta, chairman of the cable board and formerly a highly visible partisan for ATC in the franchise fight, has no doubt that Warner Amex is doing everything it can to bring service to the city and will provide that service in timely fashion.

"Warner has had an extremely difficult time," he says. "Certainly they've been under tremendous scrutiny by the cable board, by the council, by the public. I personally feel a little bit guilty in that we as a cable board have probably absorbed an awful lot of management time just in getting answers to questions. We ask a question and they try to give an answer, but sometimes it's not the one we want to hear, so that starts another round-robbin discussion."

That is exactly what has happened in the issue over penetration and technical performance. In Barta's opinion, Warner has been having "very serious service problems." By getting the company's phone logs, Barta says, the board will be able to shed some light on just how serious the problems are. Yet, there is no consensus on the city side as to what constitutes serious technical problems. "We, being lay people, are not ones able to understand technical problems," he acknowledges. "We have a city staff that does have engineers, and they say they don't understand the technical problems either, cable being the new industry it is."

Nonetheless, Warner's answers to city probes on the issue have been met with suspicion. For example, the city, in writing, asked the cable company: "What are the specific reasons for Warner Amex not servicing a greater percentage of homes passed? If the problems are marketing related, what are the marketing problems? If there are technical problems, what are the technical problems?"

Warner responded: "Our system is

currently in a start-up mode, having recently completed the first year of construction. The number of customers has been increasing steadily and will continue to increase as the system develops to maturity. In the early phase of system development, there is nothing unusual about our marketing results nor is the system experiencing any unusual technical problems, given a start-up mode. We have completed initial marketing and are remarketing approximately 30,000 homes. In addition, we are working with building owners to arrange internal installation of approximately 30,000 multifamily units. An additional approximately 48,000 homes are in various stages of the initial marketing. The marketing campaigns are not experiencing any problems that are not commonly encountered in a new system."

Dallas: Under tremendous scrutiny.

To which Barta responds: "Not much of an answer, really. And that's why we've asked to see their service complaint log." Thus, even as he characterizes the technical problems as "very serious," Barta and the board continue to prod Warner Amex in a search for information that would prove his assumption.

Under these circumstances, it's not surprising that Barta characterizes Warner's task as "bordering on the impossible."

Power of the press

In addition to the attention local media has given to such problems of its own accord, the cable operator has another concern to deal with in keeping the lid on adverse publicity. Over in Fort Worth, where Sammons is busily wiring and by everyone's account is well ahead of schedule, city frustration with what it sees as failure of the cable company to deal with construction-related problems has prompted Sam Nunn to call press attention to the issue from time to time.

Nunn, who is the city's cable communications officer, says he has not done so lightly but recognizes the company seems to respond quickly if a problem catches the public eye. Referring to the permit granting process attendant to underground construction, Nunn says, "The company behaves when they have to behave relative to getting permission to be able to do the work. Then, once permission is given, things slack off a bit. It's probably like that everywhere. I'm sure if the phone company was building the system from scratch, we'd be running into the same problems.

"In the last nine months of the last fiscal year, we received 400 calls from people upset over the way cable construction crews were acting, going into people's yards, through locked gates, climbing fences without asking permission or, less stringently, without notifying them, 'Hey, I'm going into your yard.' Big problem. People called the media, the television stations. We got interviewed for a number of days. Sammons sent out their big P.R. guns.

"So we sent them a letter saying, 'Let's comply, make sure everybody has IDs, make sure the trucks are marked and knock on doors.' Then three months later it crops up again. So people say, 'What's the deal here; the city grants a franchise and they don't have the teeth to keep the franchisee in line.' It happens over and over again in cycles.

"Sammons obviously doesn't think it's a serious problem. Their basic concern is getting the goddamn system built. They'll put off the city administrators, saying, 'Yes sir, we cut a check for the damage to that man's yard yesterday.' And then the man calls back three days later and says, 'I never got anything.' Then you call the cable company. 'Oh, well, we decided to submit it to our insurance company.' 'Did you notify the man?' 'No.' 'Did you notify me?' 'No.'

"I hate to say it, because I've tried to maintain an open mind about the whole cities-versus-cable kind of crap, but just looking at it from the standpoint of the city as a contract administrator and the cable company as a contractor, it's been a mess. When we raise a stink about it, well, then of course, the media responds. It's pack journalism, in a sense. Usually it's the paper journalists who are then followed by the electronic journalists. You'd be naive to think that cities don't try to plant stories occasionally to try to get things done. Sammons moves much faster on something when it's in the media. I can call them about not following up on complaints, and they may or may not follow up. I can plant one story in the newspaper, and the vice president will be over here tomorrow morning."

Nunn adds, however, that he can't be "like the boy who cried wolf. You do this too many times and pretty soon they'll be impervious to the criticism or at least they should be. You can get bad press from trying to get too much press. People don't like to look out there in their yards and see cable contractors out there digging holes. Well, that's a truism; everybody in the cable business knows it. We just never thought it was going to be the kind of problem that it has been and generate the complaints and citizen uproar that it has in some parts of town.

"With repects to underground, we're into situations now where the street-boring crews are breaking the streets. They're cracking the streets!"

ADT®/CATV

ADT WANTS TO BE YOUR SECURITY COMPANY...

- Hi-Tech systems feature Safewatch® home security
- Installation technicians, servicemen
- National monitoring services

ADT, the largest security systems manufacturer, supplier and installer—now offers complete turnkey security services to the CATV industry, for its cable subscribers.

Experienced ADT people can sell, install and service the new Safewatch® microcomputer home security system. ADT's U.S. and Canadian network of 140 U.L. listed central stations monitor alarms.

You needn't go it alone. Let ADT be your security company. We have a 100 year reputation for dependability and integrity. **Need help in your franchise activity? Include the ADT specification for security**—we've already written it for you!

ADT's experience in hi-tech home security electronics can provide service and protection for your customers—and additional recurring revenues for you.

For full information call Richard Simonetti

ADT central monitoring station.

ADT security systems

Headquarters: One World Trade Center
New York, N.Y. 10048
(212) 558-1100

Although Sammons' Fort Worth system general manager declined to discuss the issue, it is clear the company believes it has acted in good faith to rectify problems, going so far in one instance as to fire a major subcontractor. That the problem keeps coming back only indicates that this phase of cable operations has a natural public relations downside. But to Nunn, the recurrence of the problem puts him and the city on a spot, and given that there is very little that can be done short of the drastic and wholly impractical measure of terminating the contract, use of the press to keep pressure on the cable company remains a weapon arsenal.

Given the volatile mix of press attention, wrestling in the limelight over every phase of operations, the public relations problems intrinsic to cable construction and the political fallout from brutal franchise battles, it's not surprising that some 400 cable operators showed up on Capitol Hill in September to lobby for passage of S. 2172. But as appealing as a legislative answer to these woes might be, political reality appears to be dictating another course—namely, negotiation and compromise.

There are signs that this approach, currently in progress between the NCTA and the National League of Cities, could bear some fruit. One of the leading activists in organizing city administrators on cable-related issues has been Frank Greif, president of the 2-year-old National Association of Telecommunications Officers and Advisors and director of the Seattle Mayor's Office of Cable Communications. According to Greif, the level of understanding between the two sides is improving.

"One of the things that the cities had to do was raise their level of sophistication in looking at all of this," he says. "The second annual NATOA meeting we just held here in September showed that the local government folks have gone a long way in increasing their knowledge. When they look at how a cable company is performing, they aren't just saying, 'Did you build the three studios and have you strung 300 miles of cable?' They now realize that many things outside the companies' control can slow things down.

"Flexibility comes through understanding. I think that the greater understanding on the part of city officials to the problems of the industry has helped matters. And it's a two-way street. I think the cable operators have a better understanding of what the cities consider to be important."

Greif offered an example from his own experience in Seattle. "We granted a franchise in '81 to Group W. Part of that calls for construction of an access facility. It was supposed to have been done by the 19th of this month (October). Well, part of the reason it won't be done is that the cable company was a little bit late in getting its planning documents into the Building Department. But I also happen to know that the Building Department was a little bit slow in processing the permit. Well, we're not going to go to war over that. So we said, wait a minute, instead of delaying it for one month, why not delay it until the first of the year, after the holidays, and then make a big ballyhoo out of it. We'll have a news conference, get dignitaries out there and all of that. And we'll use the time between now and then to continue our effort of explaining to community-based organizations and whatnot how this access facility will work. So we turned that delay into using the extra time to really build up some interest in the community.

"Four years ago, I'm not sure that that wouldn't have been a battling point. There would be a certain constituency in the public saying, 'Listen, they have to perform by that date.' Now, there's give and take, and I think that typifies what's beginning to happen around the country."

Given the difficulties associated with the extensive construction going on around the country, there is every opportunity for the atmosphere to blacken as city administrators trade stories and reaffirm each other's skepticism about the dependability of cable companies. But from what Greif is saying, this doesn't appear to be happening.

"You're absolutely right," he says. "And I credit that to what this industry is supposed to be all about—communications. The fact that the industry is working day to day with cities around the country, cable companies are talking to each other and organizations such as NATOA give the

CABLE OPERATORS!

Let us put your construction plans on the map.

In order to better understand the construction needs of MSOs and independents all across the country, AMERICAN SPLICECO, INC. is conducting a survey of your construction plans slated for 1983 and 1984.

The survey information will be computerized, sorted and compiled according to state and region. The resulting statistics will be made available for publication within the cable industry.

Your cooperation in responding to the questionaire will be VITAL to the accuracy of our survey. If you have already received a **SPLICECO,** survey form, please have your construction manager fill it out; if not call our Toll Free number and we will mail you one today.

1-800-334-3968

AMERICAN SPLICECO, INC.

P.O. Box 3367 • Morehead City, N.C. 28557

SPLICECO: splicing, activation and construction management services.

administrators a chance to compare notes means that we all have a better understanding of what's going on. That's real important."

Will it pay off?

All of this communication and understanding is wonderful, but to the beleaguered cable operator, even more fundamental than flexibility in dealing with delays is flexibility in dealing with the economic realities that could emerge over the next few years. Greif understands the point.

"You know," he comments, "everybody is talking about the next wave, refranchising. I don't think that's accurate. The next wave could well be renegotiation—that is, when the cable company comes to the city and says, 'We agreed that after four years we'd have 10 access studios and so on and so forth. We're only getting 40 percent penetration when we expected 60 percent. City, you're faced with a choice. Either we build the studios and go broke, or we back off and stay in business. What are you going to do?' I think it's real important for cities to start looking at that right now."

Of course, many of the promised things will already be in place by the time the full economic picture unfolds, so that the renegotiation phase, if it occurs, would more likely focus on rates, provision of interactive services, operation of institutional networks, etc. How flexible should a city be in responding to such eventualities?

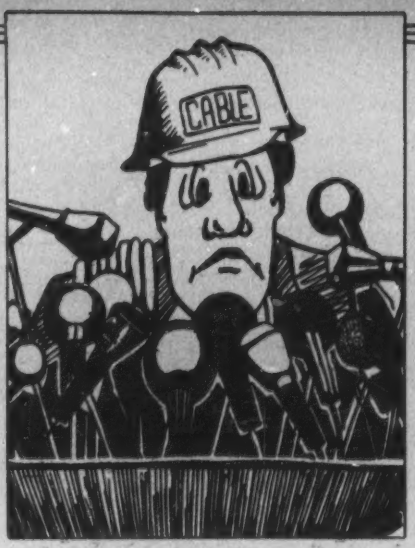
"There's no pat answer," Greif responds. "Each one of those instances is going to be different in each community. That's why we need local control. The industry must be in there talking to the local cable regulator at every opportunity, explaining the problems they're having so that there are no surprises. That's what got everybody into trouble a long time ago—all these surprises."

Does this mean, then, that the city administrators are thinking in terms of real world economics and what the cable business is turning out to be, regardless of the franchise hype? "Yeah," Greif says. "I don't want to put words in the mouths of people across the country who are in positions similar to mine, but there's going to have to be some sort of understanding that if the situation changes dramatically so that a promise would drive one to bankruptcy if fulfillment were demanded, then that's kind of foolish. But at the same time, I don't want to send a signal to the industry that says, 'Oh, don't worry, the cities are going to be a pushover,' because the cities, clearly, should not be a pushover. These folks made their promises in the clear light of day, and in many instances, the cities did not say, 'Promise us 10 access studios and double-trunk institutional network;' that was the cable company that came in and promised that. So they need to do whatever they can; they need to bend over backwards to try to deliver on those promises."

What does this view imply, then, with regard, for example, to interactive services? What if a cable operator comes to Greif at some point down the road and says, 'There's no market for it, so why force me to implement it?'

Says Greif, "I have to speak for me, not for NATOA. But I think that if all the studies being done, from the local shopping newspaper to AT&T, show that there is not a real market for interactive services or that pay-per-view, which can be lumped into the interactive category, is a flash in the pan, then why force the cable company into doing it?

"You've got to remember why a lot of those things are in the franchise contract. It was the fear that if we don't require 'state-of-the-art' technology and services, then we won't get it in our community and people will elsewhere. You have the crossing of two perceptions here. On the part of the public, you have rising expectations. They hear about cable everywhere, from *Newsweek* and *Time* to the local billboard. Here comes the magic electronic



Merlin of the '80s. Then on the other side, you have the cable industry faced with a rising tide of diminishing expectations saying, 'What we looked at as ancillary service, everything from meter reading to banking at home, was going to be a real mainstay, but now there are real questions.' You've got the citizens saying, 'Gimme, gimme, gimme,' and you've got the cable industry saying, 'Yeah, but you're not going to buy all that stuff. How are we going to fund it?' That's a real crunch.

"That means you have to help the industry survive. To demand a kind of service that doesn't economically work, for which there isn't a real consumer demand, is wrong. It doesn't do any good to drive them to the poorhouse."

If Greif's comments reflect the thinking of many other city administrators and such flexibility does appear to exist among officials contacted for this article, there appears to be room for the second round of negotiations, if it comes, to amount to something better than one long period of acrimony. The first signal as to where things are likely to go should come out of the current NLC-NCTA negotiations, which Greif believes will prove successful.

"I think the dialogue that has started can take some of the passionate rhetoric out of there," he says. "You know, there is a way to look at this to see that we have both benefited from this in one sense and that is Congress had finally recognized that cable television, which is really cable communications, is a technology to be dealt with on its own, that it is unique, that it is significant. That to me is very important.

"So now that we've established that, let's look at some things that will protect the interests of the city, that is, making sure the local wire responds to the local situation to the last part of the local mile, while at the same time protecting the industry so that local government doesn't do something that totally cripples it. We can reach aggreement on that."

These are hopeful words, but it will take more than words to assuage operators' concerns over what lies ahead. David Van Valkenburg, executive vice president of Cox Cable, comments, "Off-the-record comments from councilmen, mayors, cable administrators are, 'We understand

Omaha: Keeping lines of communication open.

what the problems are,' etc. But on the record, for the public, the politicians have to do what they have to do. You never know what they're going to say because they have a different constituency they're speaking to when they're speaking from the city council chambers. I can't recall a private conversation with a city councilman or a mayor and rarely a cable administrator, city attorney, city manager or whatever it might be, where we didn't get a very sympathetic hearing on most any problem in a private meeting. You talk publicly; you talk privately."

The problem, as Van Valkenburg sees it, is that cities aren't conducting the relationship as if they are 50 percent partners in the cable system. "They take an average of at least 50 percent of our profits," he notes. "Take a look at a newspaper. In order to distribute their product, they have to utilize the public rights-of-way—the city streets and alleys. They don't get anywhere near the scrutiny we got. We're totally under that public eye, constantly brought up before council. That's an extremely frustrating part of this business."

Given the political nature of the cities' operations, Van Valkenburg foresees a rough time ahead no matter how well city officials may appear to understand the cable business. "In these major markets, mind you, there haven't been requests for rate increases. In the big markets you've got to go back to the Birminghams, Jacksons and Albanys. You don't have rate increases yet in Houston, Dallas, Cincinnati, Pittsburgh, Omaha, etc. That's going to be one huge zoo. Trying to get a rate increase through every citizens' group around is going to be causing us problems and so is every councilman. And that's regardless of our working relationship with the city on a day-to-day basis."

William Ehs

Tunnelling through Denver suburbs.

Economics of the big city

Just how far the cities are going to have to bend in future major market dealings is anybody's guess. But it's becoming easier to make that an educated guess based on the urban track record to date.

Among the 11 cities surveyed, Nashville has the longest operating experience, having marketed cable to half of all households. Penetration there stands at 35 percent and must go 10 points higher once the city is fully wired in order to meet Manager Kurt Jorgensen's target. For Viacom, with a less elaborate system than the others examined for this article, things are going according to plan, and it won't take miracles to bring hoped-for returns on investments. The significant thing about Nashville in an industrywide context is that what for that system is a reasonable sales rate elsewhere could spell real trouble.

There is another city system enfranchised since the first of 1979 with operating experience commensurate with Nashville's, showing similar results. This system, where figures were given on condition the city be unnamed, is nearly complete and has been turned on nearly two years. Penetration is running at 39 percent overall, with a 17 percent rate in the core section, where 30 percent of the households are. In this operator's case, the sales are well below expectations.

In newer systems where a lower percentage of households have been marketed, the results look like this, going from highest to lowest: Omaha, 55 percent; Fort Worth, 52 percent; New Orleans, 50 percent; Pittsburgh, 42 percent; Portland, 40 percent; Indianapolis, 33 percent; Atlanta, 26 percent; Dallas, 16 percent.

The object here is not to suggest which systems are more successful. Each is operating in a unique environment with entirely different circumstances. In some cases, the demographics of the initial service areas are the worst the community has to offer from an economic standpoint. In other instances, the operator is able to build in several relatively upscale neighborhoods at once. The point is what these penetration figures say together. Do they attest to a coming rude awakening for the cable industry, or do they conform to what can be expected in the early operations phases of economically viable markets?

Group W Cable has taken a fairly cautious approach in the last few years of cable franchise bidding, adding some 500,000 homes through franchise awards in communities of under 100,000 population since the beginning of 1981. But the company is no stranger to the major city marketplace, with major investments in Los Angeles, Seattle and New York as well as expanding clusters of contiguous cities in the St. Petersburg area of Florida, Twin Cities suburbs, St. Louis suburbs and Dallas suburbs.

Group W Cable Chairman Bill Bresnan offers this view of a 35-40 percent penetration performance in the initial marketing phase of big city operations: "I don't know if it would scare me, but I'd sure be concerned that we may not have enough revenue for the return on investment. We'd have enough to cover operations and to get some return on capital, but I'd be concerned. I think after the first year, you should be getting 50 percent. Anything under 45 percent after a year or so is subperformance."

Tele-Communications Inc. is another major MSO that has taken a fairly cautious approach to big city bidding, being sure, as Chairman John Malone puts its, that its riskier bids have been joint ventured in a way that "keeps our half of the dog alive no matter what happens."

Malone has been in negotiations involving various potential buyouts of urban cable systems and reports, "The operating margins are from hunger in some of these systems. In big city systems, an awful lot of the projections were based on 40 percent operating margins. They're getting close to their revenue targets in some cases, but the internal churn and operating expenses are much higher than expected.

> 'Here we are pulling off miracles, building more plant in a year than probably anybody in history. But the big story is about how they lopped a branch off a tree.'
>
> Gustave Hauser, chairman, Warner Amex Cable

"When these franchising guys drew up the bids they didn't take a lot of things into account. It isn't just 60 cents for a cable guide; you have to package it and pay the postage. You have to have enough people answering telephone calls from every corner of the market. Billing is complex. The packages are more complex, so you need more people to explain the service."

Indeed, the telephone call situation has proven far more expensive than anticipated in nearly every market surveyed. In Houston, the volume of phone calls hit 100,000 in August. In Omaha, the inability to get into the Cox system switchboard became a major issue last year. Pittsburgh, Dallas and others have had similar problems, all requiring additional staffing and, in some cases, new telephone systems.

But are these added operational expenses in the early going pointing to significant damage to operating margins once the systems are fully wired? Says Hauser, "I don't think so, because I think they'll settle down. They are high in the beginning. To answer all those phones, that makes for higher costs than expected. But the cost elements don't appear to be fundamental to the business."

Hauser adds that many of these add-ons are functions of the learning process in an altogether new cable environment. "It's

Rob Stuehrk

Denver: Second thoughts about a gold-plated bid.

not in areas we understand very well, such as demand maintenance, preventive maintenance, plant maintenance and so on. It's in all the back office and overhead, and this industry has a long way to go in handling paper. When you get into a big system and you engage in so many transactions, as with people not only connecting and disconnecting, but upgrading and downgrading, changing their mix of product—which is what it should be—requires a much more sophisticated data processing and billing capability than most operators have available to them."

He also notes that keeping up with the immense public relations burden of urban operations is doing nothing to keep overhead down.

But Hauser is far from discouraged by start-up cost headaches and initial penetration figures. To the contrary, he believes the initial selling phase is demonstrating the wisdom of going into the city.

"We seem to be meeting the business targets we had going into these builds, that, in other words, a certain percentage of people ultimately will accept the service, that they will buy a certain amount of product, reach a certain revenue level. That's happening. We don't see anything that says that isn't happening.

"Rather than take a particular area or town and saying if it's happening here, that's what's going to happen elsewhere, you have to look at it almost on an episodic basis. Nothing tells you yet what the ultimate penetration is going to be.

"Take Mesquite, a suburb of Dallas. We've finished Mesquite; it's being marketed. Penetration is 55 percent, and it's running 2.7 pay units. I wouldn't extrapolate and say that's what's going to happen in that time frame in every city, but it's not a bad indicator. When you think back how this cable industry grew, it tells you something. How long do you think it took a system that today is 92 percent penetrated to reach that level? Probably more than a decade, and they needed that service. It was practically a utility, but they still didn't all buy it from day one. And look at what we're achieving now in Mesquite, Texas, in 12 months. How high is up? Will we get to 80? I don't know; we're still marketing. But Altoona, Pa., wasn't at 55 percent in 12 months and that's a 92 percent system.

"Now you go around in the Cincinnati suburbs. It's a big area. I don't have one overall penetration figure, because the marketers haven't done it all yet. You couldn't possibly have enough marketing folks to blitz the whole area in a few months. We're at the 60 percent level in some of the parts that have been marketed sufficiently, and we're still marketing other areas. So I don't know where it all ends up.

"You go to Pittsburgh and watch what's happening. We did 11,300 sales in September. They're blowing the roof off. I don't know what the ultimate penetration in Pittsburgh will be. They did ten thousand and something the month before.

"You have to ask yourself, if you want to assess this whole thing: Are they keeping it? Is the churn showing that after they get it they don't like it? No. The churn in Pittsburgh and Cincinnati is very low, unbelievably low. On the other hand, the churn in certian apartment areas in Houston is high, and that's, of course, the urban market. It has nothing to do with our cable; it's just gypsy country. They don't have leases there. We have all the churn numbers; it ranges. Parts of Houston, very stable, just like Cincinnati suburbs. Then you get into the apartment areas and you have to abandon all prior ideas of churn."

Given that this problem is going to be an "ongoing headache" in places like Houston and Dallas, Hauser is looking at ways to address it. "Throughout the industry, there are unthinking but well-meaning regulations that get in the way. We may have to put in deposits; we may have to limit credit. When you give somebody pay-per-view capabilities, you have open-ended credit.

"I'm sorry, but there isn't a business in this country that just gives open-ended credit to anyone on demand, including utilities. If you want to have credit, they won't give you a phone, they won't even give you power, unless you put up a deposit and all sorts of guarantees. And we're in no different position than anybody else in this world. The city may not think that's the way to go, but they're not running our business. They think they are, but we mustn't allow that. We have to do what we've got to do to deal with those very ordinary business problems."

To the skeptics, and they abound, Hauser's optimism about the ultimate viability of urban operations amounts to wishful thinking. One MSO chief executive, off the record, laughs ruefully at what he refers to as the "list of franchises they wish they hadn't won." Another speaks of the "whimsical franchise proposals" of the last few years.

Commenting on what he refers to as his "realistic" approach to bidding during this period, Bill Bresnan says that, based on initial returns in these markets he's feeling "very good" about the approach his company took. "In fact, I'm feeling better all the time."

Comments John Malone: "I'm a realist in this industry. I'd like to see it grow by evolution rather than by bold leaps of faith. I like the cable business just the way it is. It doesn't have to change radically for me to like it. Most of our systems have basic and one—sometimes two—pays, not three or more. We haven't over-promised, but we're adding 4,000 subscribers per week and 5,000 pay subscribers per week—and that's internal growth, not acquisitions."

If, for example, the data transfer business is potentially a big-ticket item, Malone asks, "Why hasn't AT&T gone out and done it? They already have the poles, and Bell Labs has more Ph.D.s than the entire cable industry has college graduates. These franchise proposals with elaborate institutional networks are pitting cable companies against the Bell System, and it could get them sucked into PUC rate regulation.

"There's probably a small business for

these services in some core markets. If I were a cable operator committed to putting in large institutional loops, I'd go to the local telco and set up a joint venture, leasing them the facilities and letting them handle the business.

"TCI has more experience in data transmission and voice, with our MDS operations, than anybody in cable. If it was going to be an important business for cable, we'd be in it. I'm still waiting for Gus Hauser to tell me what the cable companies can do that Bell can't."

Of alien environments

One of the most skeptical observers around is Tony Hoffman, vice president for A.G. Becker and a former analyst at Bache, Halsey, Stuart, Shields. "The cities are an alien environment for cable," he says. "People in the cities are smart about being taken. Some fast-talking S.O.B. came along and sold a guy three pay services, and now he realizes there's all this duplication and he's pissed.

"These systems were bid on the premise that the 2.5 pay-to-basic rate we were seeing when multipay first came on line would last forever. But in the more mature systems, the averages seem to be heading toward 1.5. There's a horrendous rate of disconnect on second, third and fourth levels of pay. And in the city environment, it's going to be worse. People in the cities have a lot of entertainment at their doorsteps. It's not like the suburbs; they're used to going out. They have movies and nightclubs around the block and a lot of off-air channels of television to choose from if they want to stay home.

> 'I'm a realist in this industry. I'd like to see it grow by evolution rather than by bold leaps of faith. I like the cable business just the way it is.'
>
> John Malone, chairman, Tele-Communications Inc.

"And there's another problem that hasn't begun to be as big as it's going to get in the cities--theft of service. There's a high concentration of people in the city and more of a 'screw-your-buddy' attitude. As people with some technical know-how learn how to beat the system, the word's going to spread fast."

Hoffman sees little hope for sound profitability if the real costs of building the cities are moving into the $500-per-household range, which he believes they are. At 33 percent penetration, that would put per-subscriber capital costs at $1,500. If penetration is in that range, Hoffman calculates a 10-year depreciation rate of $150 per year per sub together with interest at $225 per year per sub (setting the 10-year interest rate average at 15 percent), all of which adds up to $375 per year or $31.25 per month per sub as the minimum cash flow necessary for break-even with no profit. This means, he says, that based on the presumed cash flow margin of 40 percent underlying major city bids, the per-sub monthly revenue rate is going to have to be $78 just to break even if penetration stays in the 33 percent range. "That's ludicrous; it's outlandish," he says.

"If the penetration rate hits 50 percent," he adds, "you're still looking at $1,000 per sub in capital outlay," which would mean the per-sub revenue rate would have to be $52 per month to hit the break-even cash flow rate, using Hoffman's method of calculation.

Before anyone goes running to sell all his cable stocks, however, one must ask, is anybody really spending $500 per household to build city cable systems, as Hoffman's analysis assumes? Operators interviewed for this article contend that, factoring in inflation, their construction expenditures have been right at projections. If that's so, then the per-household rate of capital costs for these 11 cities has been running at $320.

However, in more recently bid franchises, the cost is higher. In Denver, pegged at total capital outlays of $100 million in a 216,000-household market, the per-home capital cost for ATC's planned system comes to $457. For Boston, won by Cablevision Systems, the projection is $94 million for a 24,000-household market, which, with inflation, would put the per-household cost at close to $400.

The systems surveyed for this article, with an average capital outlay of $320 per household, would need $32.50 per sub per month at 50 percent penetration to meet Hoffman's cash flow break-even criterion. Boston would need $41 and Denver $47.50.

In Hoffman's opinion, the cable companies can't count on much beyond basic and pay to shore up revenues in these new systems. Banking at home and other forms of videotex, he says, are probably going to be big businesses in the U.S., but he doubts the cable companies will have a major role to play. Knight-Ridder, which is going into large-scale commercial operations with videotex in June 1983, will be "covering the country" by the end of 1984, Hoffman predicts.

John Malone

In the end, Hoffman predicts, "You're going to have to go back to the city and weasel out of everything you promised. If you're smart enough, you'll be able to save your ass. But it won't be easy."

To Van Valkenburg, there is no question but that cable must take on the urban challenge. "If you take the view that the cities are not worth pursuing, then what future is there for the cable television industry? You're saying that we will sit back and be a secondary provider of independent signals and programming and that we'll let some other technology serve the entertainment and the communications needs of the people that live in major cities."

PPV and enhanced services: Reality sets in

"We're in an industry that has incremental benefits to offer major urban residents as well as rural residents," Van Valkenburg continues. "It probably will cost us more to operate in the major cities. Certainly Jack Gault (president of Manhattan Cable) would agree it costs him more to operate in Manhattan than it does for ATC to operate up in Albany. But we've got to find ways to make money in those major markets.

"I'm not prepared to sit back and let this industry go into the doldrums. The place for growth of business data communications in is in the major markets. The place for security is in the major markets. It may very well be that the place for interactive services is in the major markets. Certainly that's the case for advertising.

"I won't deny that there are new problems to face in major markets. We have to be very careful as to which ones we try to pick off. When we have bid in major markets, we have made a business judgment as to what we could bid. There were dual-cable bids in Omaha and New Orleans, but we bid single. The winner in Tampa bid dual, but we bid single. We'll take the business, but we're not going to be unrealistic."

In Van Valkenburg's estimation, the initial appeal of entertainment programming will be the make or break factor for the industry in major markets. "But future

profitability is in additional services—long-term, incremental profitability."

Cox has established COMMLINE to begin its push into the business communications side of cable services, putting such operations in places like Omaha and New Orleans directly under the corporate umbrella rather than leaving them in the care of the local managers, whose hands are full marketing residential programming services. The same approach is being taken with INDAX, which is still in its experimental phase in San Diego, where some of the market research is being handled by A.C. Nielsen.

> 'We must make every effort to leverage our current subscriber investment to provide these business data services.'
>
> David Van Valkenburg, executive vice president, Cox Cable

Van Valkenburg responds cautiously when asked whether he believes these operations are going to be major profit centers. As for business communications, he states, "That's a market where there is a well-entrenched, established provider of the service. We have the potential of taking a piece of that market at a relatively better cost to the local business than he could get now with the established competitor.

"That is not, however, a business, either from a marketing or from a technical perspective, that this industry has much expertise in. We have very few engineers with the historical experience to run this business. This market has all the characteristics of a very good opportunity for us. Whether we as an industry will have the ability through management, marketing and engineering to compete successfully, I don't know.

"What I do know is that for us to grow in the latter '80s, this is a market that we have got to work very hard to develop today. We have an advantage. We have the broad spectrum to provide speed as well as volume. But we must make every effort to leverage our current subscriber investment to provide these business data services.

"So far, in Omaha, most of our effort has been point-to-point with an incremental cable. To really make it pay off, we've got to leverage our current capacity to provide true incremental revenue with limited incremental investment. Point-to-point is a significant investment because you have to put in additional cable. We are being extremely careful to design our institutional networks to reflect where the businesses are. We have extensive studies, market research as well as interviews, to determine where the highest probabilities are for business data. We are not building our institutional systems as a dual-trunk, single-feeder concept. We're building it where the market is."

In the case of INDAX, Van Valkenburg says the parameters of the business will be set only after research is completed in San Diego, some six months hence. He believes it will be a strong business, but it will not be implemented beyond the "friendly user" stage in Omaha or elsewhere until those parameters are set.

Like Hoffman, John Reidy, entertainment analyst for Drexel, Burnham, Lambert, is a long-time observer of the cable television industry. But his assessment of major market operations, cautious as it is, differs significantly from Hoffman's.

Reidy begins his analysis by saying, "Investors had euphoria over cable. When the bottom line comes in indicating that it's going to take awhile to start showing the potentially large cash flows from these newer systems, and this constrains the overall profitability of the reporting entity, they get concerned. And overlaid on all this is the furor created by the (Paul) Bortz report, which the NCTA chartered itself for its own political purposes. It somewhat backfired on them in that it has led to more questions than answers. People have said, 'Gee, what's STV going to do, what's MDS and DBS going to do?' I don't think they're going to do anything more now than they were before, which is to gain a modest niche in pieces that aren't cabled.

"So I don't see why anything is different. Big city cable construction takes time, and I guess across the board I would admit from what we now know most market development has proceeded somewhat more slowly than the optimists might have expected, including those in the companies. But it's nothing that shouldn't have been anticipated.

"I think as you get further down the road into the marketing, penetration is going to rise. And I'm not sure the marketing has been all that superb in the first go-round, because they've been so anxious to get the construction done.

"Nobody in their right mind is going to read that 30 percent is the penetration from this. I think it reflects the company's inability to do two big things at once, build and market. Perhaps there was some assumption that the business would come in over the transom. But most of these systems aren't equipped with the order-taking staff to do this. The marketing backup hasn't kept up with the pace of construction.

"Sure, the marketing follow-through represents some sort of a shortfall, but does it mean that people don't want it? I think it means that people haven't been sold cable."

Sell, sell, sell

The marketing question, of course, is not limited to understaffing and backlogs. Two other major factors bear on cable's urban marketing performance: the unwillingness to pursue major advertising campaigns before the system is completely built and a widely recognized lack of marketing sophistication in the industry.

The first of these factors may be the most important issue overlooked when people begin to assess cable's appeal in the city based on marketing success so far. Already, with phone lines jammed and city officials aggravated at the inability of operators to handle every call, the cable systems have reached their limits in accommodating public curiosity about the new medium. As much as they would like to pull out all the stops to promote cable services, operators remain maddeningly restrained from utilizing the most potent marketing tool around—mass media advertising.

David Van Valkenburg

ATC is about to break out of this bind in Indianapolis, where the new system manager, Jeff McQuinn, has persuaded corporate officials to proceed with an ad campaign, even though the system is less than 40 percent complete. McQuinn, new to cable with a background in retail marketing, is reluctant to discuss the details of this "test shot," which, he says, did not easily win approval in Denver.

The system will have to gear up to handle more calls. But McQuinn is "less than exhilarated" over the sales pace so far. "I have no question but that the approach has to be different in marketing, that it must be somewhat more mass-oriented to soften up the marketplace. It's not just knocking on doors. That's not quite doing the job."

As the cable industry comes to grips with the other drag on its city sales pace mentioned above—the lack of marketing expertise—the changes are beginning to show. Dallas, Indianapolis and Cincinnati all have new managers with extensive marketing backgrounds outside cable, replacing individuals with more traditional cable operating experience.

Gene Sherman comes to the Dallas system from Xerox. His presence on the scene has inspired confidence on the part of the cable board that Warner's marketing pace in Dallas soon will accelerate. Joe Barta comments, "With Gene Sherman, we're going to get there. I think we're going to see a quick turnaround in marketing. In fact, they just told us that they're going to try to increase the number of subscribers they're turning on from 100 or 150 to 200 a day. Up from 150 a day to 200 is a pretty bold leap."

Barta, incidentally, recognizes the difficulty of marketing without being able to resort to mass media advertising and gives the company high marks for the professional quality of its marketing effort so far.

Warner's new manager in Cincinnati, Bob Montgomery, comes from a background of marketing computers and sees similarities between the stage of development cable is in now and where computers were in the '60s.

"We built a big black box and figured it could do two or three things, and we could make money with those," he says. "So we started peddling it only to look back in amazement five years later to see what that black box was doing—most of the time none of the things we thought it would do and 50 things we'd never even thought of. As much as we don't know about cable, we sure can't expect the community around us to know more.

> 'These systems were bid on the premise that the 2.5 pay-to-basic rate we were seeing when multipay first came on line would last forever.'
>
> Tony Hoffman, vice president, A.G. Becker

"The package that we have, that our marketing people have put together, and the techniques that we have to push it are vastly improved over anything that I've seen or heard of in the cable industry heretofore. But right now it's still only maybe four on a scale of 10, and I think everyone realizes it's going to get better and better.

"In interactive programming, we've just scratched the skin. That's the most exciting aspect of this business. In QUBE, we don't have something that's just television. It's total communications. Participatory television isn't so much a selling point; it's effectively a reason for existence. It's going to be the thing that will cause people to become literally dependent upon this method of communication in years to come."

In Reidy's opinion, the cable business, in addition to overcoming its limitations in marketing, will probably need to succeed in pay-per-view and advertising to ensure strong profits in the urban environment. But Reidy doesn't see cable's task in the cities as particularly overwhelming.

Asked what the cash flow margin should be, he replies, "Forty percent, hopefully. That's really going to depend on the mix of services people take. I think the 50 percent days have to be gone when you're not even making that on the incremental pay services, since you're discounting them.

"But I think most operators would be satisfied to see the typical subscriber paying $25 per month, which I think is a very reasonable estimate in the cities. So three hundred bucks a year bringing in $120 or $125 in cash flow would not be a bad objective from present services. Now, if you start adding in pay-per-view, I think you could push your growth cash flow significantly above the $120, and you might even push the margin up a little bit. In fact, it may require incremental services like pay-per-view to bring these margins out to where you want them in these metro areas."

Reidy says the pay-per-view objective, to achieve an upward push on the cash flow margin, should be at least $10 per month. "If you pay an extra $60 for the addressable box, let alone what you pay for the Warner box, and you're going to keep four bucks a month as the operator, I think the operator's and the programmer's objective would be to get 10 bucks a month.

"But pay-per-view, we believe, will emerge as that probably necessary incremental revenue stream to make these systems turn out to be good investments, as opposed to so-so. No one's talking about cable going bankrupt. No system ever has. What the marketplace may be debating is whether it would have been better to put all of this into long-term bonds. If you'd done it four or five months ago, it might well have been.

"But with the increment of pay-per-view—and I'm not sure you can add on too much else other than an advertising increment—we think it's going to work out all right. But you can't prove it yet."

Adding $2 per sub in advertising revenues, together with $10 for pay-per-view to the $25 figure cited earlier, Reidy gets a yearly per-sub revenue of $450 or so. "Then you've got a cash flow of about $180, and it doesn't look like such a bad business—a good return, before depreciation, on a $700 or $800 investment."

Are such heady projections realistic, or is Hoffman's vision of the urban operator being forced to weasel out of his commitment the more likely scenario?

Pay is preferable

A number of issues have been raised in the foregoing discussion bearing directly on this question: penetration, pay-to-basic ratio, appeal of pay-per-view, the role of ancillary services, the soundness of operating cost projections.

So far, basic penetration performance in the cities surveyed for this article tends to support the Hoffman analysis, as does the prevalence of operating cost overruns. But, in the case of penetration, given the reluctance to use mass media marketing techniques and the location of most first-phase operations at the city core, penetration alone is not enough to go on.

Pay-to-basic, at better than 2-to-1 almost everywhere, presents a more positive picture, but there the 10-billion-dollar question is, will it hold? Omaha Manager Jim Vodak says that when he sees ratios in the 3-to-1 range, he knows he's going to see a 'tremendous amount of downgrading," but 2-to-1 appears to be holding in Omaha.

Bill Groom, the Cox manager in New Orleans, says pay-to-basic is running at 2.5, and that 60 percent of the subscribers are taking three or more pay services. "The question is how much churn we'll have," he says and echoes many operators when he comments, "Quality of programming is the question. I'd like to see more differentiation. This is what people complain about—not enough differentiation."

This is a much-publicized theme in the cable business, but so far, these cities, if anything, seem to be faring better than many areas that have instituted several levels of pay service. In Pittsburgh, where the pay-to-basic ratio is at 2.4, the churn rate is only 1.5 percent, which Manager Ted Campbell says is "much less than we budgeted for."

A better than 2-to-1 pay-to-basic appears to be holding in many other cities as well. Thus, while it's too early to say just how strong this early indicator is, it does bode well for the cities surveyed.

One interesting development in big city cable sales is that the lower tiers of basic programming are not proving to be very popular, which raises the question of whether it is useful to be offering such service levels at all, given the confusion they may lend to an already complex service array.

For example, 97 percent of Pittsburgh's subscribers are at the top QUBE tier. In Omaha, the number of subs at Tier III, the access tier for pay programming, is in the high 90s, according to Jim Vodak. The free "universal" tier, which has figured in so many bids around the country, is being taken by all of 20 subscribers in Omaha.

In Portland, one subscriber is taking the free service; eight are on Tier II, which opens access to HTN, and only 200 are on Tier III, which at $7.95 buys all the pay

William Ellis

After the build: penetration worries.

services. All the other 14,300 or so subscribers are on the $10.45 Tier IV, where the most attractive basic services have been positioned. In fact, the low sales rate of Tier III has taken Rogers and Manager Frank Nuessle back to the drawing boards. They fear that Tier III, while attractively priced, doesn't offer enough of the popular basic services and that the high price of Tier IV may be keeping people from subscribing who may want those basic services as much as they want pay programming.

To the extent, then, that top tier acceptance is exceeding cable company projections, another mark can be added to the plus side of the big city cable ledger.

Positioning for pay-per-view

Pay-per-view in these cities is a harder issue to grapple with. For one thing, among the cities surveyed, only the Warner Amex systems have a full menu of pay-per-view programming, and the only one of the Warner systems surveyed with a significant amount of time operating pay-per-view is Pittsburgh. There, the average monthly pay-per-view revenue from the 97 percent of subscribers with QUBE capability has been running at $5.

Five channels are devoted to "Viewers' Choice" pay-per-view programming with an additional channel offering the "Viewers' Choice" guide. Prices for the 25 or so movies offered each month range from $23 for fare on the "Drive-In" and "International Film Festival" channels to $4.50 for "First-Run" movies. The list of films in October included *Chariots of Fire, Conan the Barbarian, The Sword and the Sorcerer, HankyCat People, Quest for Fire* and *Sharky's Machine*, to name some of the better-known titles. Only *Chariots of Fire* was priced at the top $4.50 level.

'. . . It (the marketing approach) must be somewhat more mass-oriented to soften up the market place. It's not just knocking on doors. That's not quite doing the job.'

Jeff McQuinn,
manager,
ATC Indianapolis

Pittsburgh, not to mention a , the other systems surveyed, has a long way to go to get to the $10 per subscriber level that Reidy sees as important to overall profitability. But in Gus Hauser's opinion, the industry is well on its way to vindicating the optimism he and others have long held about pay-per-view.

"I think, without question, pay-per-view is now established in the minds of all the professionals in our industry," he states. "You've seen all the turmoil that's going on with people positioning themselves to take advantage of this one way or another. All of this hasn't settled down yet, so it's not clear who will do what. But the ability with one-way addressable equipment or interactive addressable, which permits impulse buying and also permits a menu of pay-per-view, to provide all kinds of programming to any kind of audience of any size, much of which would never be on a subscription channel, really opens totally new horizons.

"It opens horizons for the culture, for example, that CBS couldn't cover by advertising. Those who want opera will get just opera. Those who want just ballet will get ballet. You don't need a whole channel. You can give them one hour of ballet a week, a day, whatever they want.

"It's the whole idea of the video magazine. Maybe there are only 310,000 people nationwide who are interested in a particular type of program. So what? Many magazines survive on that.

"It's the concept that we've always had, when we started QUBE five years ago—that if you can put a program out there and there are, as I think there will be , say, five years, 20 million ho... ...at can buy it and you sell that program to a fourth of those homes, whether it's a prize fight, major motion picture or a special event created for the home viewing market, that's $25 million in one shot.

"That's money, and they're all seeing it. It's happening. Counting STV, there are about two million homes where you can address a program (with the Warner Amex QUBE universe now contributing 200,000 to the total). The cable side of it is coming up fast. We've been delayed by the lack of adequate one-way addressable equipment. That's being corrected. Nobody has to push the cable operator's nose into economics. He understands there's money to be made in this. He's putting the boxes in.

"And we know that when we offer the product, people buy it. If the NCAA television deal comes apart, if the court on appeal approves the lower court's ruling that it's an anti-trust violation, wow! You'll see football games that never got on TV being sold on cable systems—a bonanza"

Hauser's mention of the lack of adequate one-way addressable equipment raises what may be the key issue in determining the pace of pay-per-view development in all markets, large and small. In Omaha, for example, Jim Vodak says the system was forced to "put some other boxes out" because Oak's TC-56 wasn't performing consistently when initial subcribers went on line. However, the problems appear to be rectified and the TC-56 is now in use. Vodak gives Oak high marks for swift attention to problems when they've occurred.

In Atlanta, Cable America had to turn on 16,000 subscribers without the Jerrold 54-channel converter intended for use in those homes. All 16,000 are now using the Jerrold, which is not addressable.

Barry Moore, manager of the Atlanta system, says he would like to have addressable capabilities, but after the hassles attendant to swapping converters in this phase of system development, he doesn't

want to have to go through the process again any time soon.

Among the systems surveyed for this article, Nashville has the longest running experience with addressable converters, and Manager Kurt Jorgensen is pleased with results. Jorgensen said the "lion's share" of the system's 28,000 subscribers are taking the top package, priced at $33.95. He attributes this in part to the fact that "we do not mind customers trying the top level and downgrading away from whatever services they don't feel are necessary, since we can do that electronically."

He adds, "We are happy with the Oak TC-35 for the moment as a stable and dependable converter and are extremely happy we were able to start off with an addressable converter."

Jorgensen is upbeat on pay-per-view, having experimented with the service on two occasions during the past 18 months. The Nashville system offered the Leonard-Hearns and Cooney-Holmes fights, which drew 18 percent and 15 percent of the system's subscribers, respectively, at $15 for each fight.

Frank Nuessle in Portland is another operator expressing satisfaction with addressable performance. "The Zenith Z-TAC is a terrific unit," he says, adding that the two-way interactive version is in the early stages of installation. Nuessle sees the impulse buy and interactive programming potentials in the new unit as major advantages for his system.

Clearly, even in major city markets with commitments to addressability, pay-per-view is slow in developing. And some MSOs remain reluctant to commit themselves to addressable products.

In Indianapolis, for example, the management still is awaiting a decision from ATC about addressability. The signs are pointing toward development of an in-house product, which could delay a large-scale corporate switch to addressability well into 1983 or beyond.

Making addressability work

At Group W, Bill Bresnan reports, "We're not real pleased yet with the quality of converters. There are a number of problems, one of which is putting an

Viacom Cablevision of Nashville: Halfway to the finish line.

expensive unit in the home. But more important than that is there still is a high level of infant mortality. Some popular brands that we've put into our systems have had a failure rate of 30 to 60 percent. They're getting better, but they have a long way to go."

Group W has put together a task force involving people from Westinghouse R&D units as well as operations and technical experts from the cable side to look at converters. In the first phase of the study, the task has been to determine which, if any, of the off-the-shelf units available can meet Group W Cable's current needs. Bresnan believes pay-per-view is the next big area of service development and wants to be positioned to take advantage of the opportunities.

The second phase of the study, to be completed next year, is to establish "from scratch" technical standards for the equipment to be purchased in 1985 and beyond. "Let's start with a clean slate and determine the kind of box we want, according to our technical and marketing experience," Bresnan says. "In the past, we have been a manufacturer-driven industry. We think we should be market-driven."

'We've had strong local receptivity (to our advertising sales)... from local merchants within driving distance of Nashville... it's a good buy.'

Kurt Jorgenson, system manager, Viacom of Nashville

Bresnan reports that the first phase of the study has left Westinghouse R&D people "appalled at what they saw. They can't believe the quality that this industry puts up with."

A major crack in the barrier to industry-wide preparations for pay-per-view occurred last month with the TCI announcement that it will install 750,000 Jerrold Starcom units over the next three years. In an interview prior to the Starcom decision, TCI President John Malone indicated he was not pleased with the alternatives available but that the need for addressable capabilities was pressing. One of Malone's chief complaints was the fact that manufacturers incorporate decoder and converter into one in-home unit. With the growing prevalence of high-channel capacity, cable-adaptable television sets, Malone wants to have the option to buy a simple out-of-home security device that works with any style of converter.

TCI's decision is a good indication that the advantages of addressability are strong enough to overcome the barriers that have stifled pay-per-view market development. As the long-awaited shift to addressability finally occurs, John Reidy's prediction of a $10-per-home pay-per-view revenue stream in major markets finally will receive a fair testing. But, meanwhile, that revenue stream is not to be counted on as a major contribution to cash flow in the early years of urban cable operations.

Reading the screen

Whether ancillary services, including security, videotex and business communications, will raise the cash flow margin, there is even less to go on in assessing this potential among currently operating major city systems.

The only city among those surveyed where cable security is a business is Omaha, and there the signs are good. Jim Vodak reports that 400 homes, paying an average of $1,250 for installation and $9.95-$18.95 per month, are on the Cox Security system, which is competing with several other established security businesses.

Vodak points out that the security arm of Cox operations is being marketed apart from cable sales to avoid any appearance of unfair advantage. He says the new service, operating on its own, has become one of the city's leading suppliers. So far, Cox Security is using phone lines, just like its competitors, and is predicating its sales pitch on the ability to provide around-the-clock monitoring and superior equipment.

But the cable industry as a whole remains divided over the question of how viable security is and whether cable operators belong in the business at all. The fact that out of the cities surveyed for this

'TCI has more experience in data transmission and voice, with our MDS operations, than anybody in cable. If it was going to be an important business for cable, we'd be in it.'

John Malone,
chairman,
Tele-Communications Inc.

article only one has a security operation up and running would indicate that no matter what its eventual potential, security is not to be counted on as a significant revenue stream in major markets for some time to come.

The story is much the same with regard to videotex. INDAX, originally slated for introduction in Omaha last summer, is now being brought along more slowly, pending, as noted earlier, the outcome of research in San Diego. Warner Amex, the only other major city operator surveyed with a "friendly user" videotex operation, is in no hurry to get the business underway.

Says Hauser, "I don't question that it will be part of the business at some point. We're going to have to evolve into it. My feeling about it is the cultural willingness to use this kind of service is growing because there are people all over the country, a whole generation, who are accustomed to QUBE—to video games, to home computers, VCRs, etc. And that generation is going to use this kind of service very readily."

To the question of whether videotex ultimately is going to be a cable-oriented or phoneline-oriented service, Hauser offers these observations. "Cable is capable of delivering video. That's going to be very important. I don't think some applications will be successful with just reading on a screen. This is true of shopping, for example. People don't want to read that much; we're a video society. Shopping for many items requires seeing the item, as you would in a catalogue. Shopping, which will be a major part of this developing area, requires pictures, and only cable can deliver pictures. And, of course, cable delivers information much faster and offers more capacity than phone lines. Videotex is very boring; people won't buy it."

To the fact that the video part of videotex will be essential to market appeal Hauser adds another observation in sizing up this market. "Bear in mind," he says, "none of these things can happen all by themselves. The costs of doing them are too high. They have to be spread over more than one service. If a terminal is in your home and with that terminal you can shop, do banking, retrieve all kinds of information, order tickets, or whatever, you have a number of revenue streams paying for the terminal. If it's just banking, it may just be that the whole setup is too expensive for that one service. It all has to be integrated."

Such integration, if it is to come on a widespread basis in cable, obviously is a long way down the road, and given the presence of Knight-Ridder and others as phoneline providers, cable in any event is going to have some head-to-head competition in development of this market. Videotex as a revenue mainstay in major market cable operations is far from a certainty.

While industry opinion is split on the question of cable's potential in delivering business communications services, the urban market indicators are a little clearer in this area of ancillary services than they are in security and videotex. So far, the signs are very positive.

The complexities of the pros and cons of the industry debate over cable's opportunities in this market are beyond the scope of this article. Certainly there are many industry leaders and observers who, like John Malone, believe the industry has little to gain in pursuing business communications.

But at the system level, many managers are convinced there is definitely a market worth pursuing. In Pittsburgh, for example, Ted Campbell reports that a Carnegie-Mellon study covering every major corporation in town has found a tremendous unfilled demand for local loop services.

Warner Amex, like Cox, has assigned a corporate level division to commercial services and regularly sends people from headquarters to work with the Pittsburgh staff in developing the market. In one of its first forays into the business, Warner of Pittsburgh has taken on AT&T head-to-head in a bid for the contract to wire Carnegie-Mellon University in what has been billed as the most extensive data communications system ever devised by such an institution. The project is designed to permit every student access to the data stream through personal terminals.

Campbell reports a "high degree of frustration" among downtown businesses looking for adequate line capacity to handle their communications needs. "Many of these companies have put in new private telephone systems and are looking for voice, video and data interconnects."

The fact that, out of the cities surveyed for this article, only one has a security operation up and running would indicate that no matter what its eventual potential, security is not to be counted on as a significant revenue stream in major markets for some time to come.

Campbell says. "Our job is to train the people at U.S. Steel, Alcoa and elsewhere to think about cable as an alternative. We hope this is going to be a huge business for us in the next couple of years."

Hospitals, he notes, are especially aggressive in their desire to tie into the cable network. The 23-hospital consortium in Pittsburgh wants to use cable to expand education capabilities as well as for administrative purposes.

In Omaha, there are two data transmission links contracted for, involving the University of Nebraska and the *World Herald*, the city's major newspaper. The system has its own COMMLINE operation and the local manager, Ron Johnson, works directly with the corporate people under the direction of Bob Patrick in Atlanta. The goal, as noted earlier by Van Valkenburg, is to bring commercial users into the system without adding extensive extra plant mileage.

Portland's Cablesystems Pacific is another cable operator moving quickly into the business communications field. Frank Nuessle reports the system is under contract to provide data transmission for two entities, the county government offices and a local bank, hoping to prove the dependability and advantages of using coaxial cable. The bank experiment, Nuessle says, will be particularly important in serving as a demonstration to the business community.

In the county government operation, he notes, the system has been successful so far in demonstrating that the cable link works. In one instance where a city crew cut the cable data line, the system was able to identify the outage and install the splice within an hour of outage.

The city government in Portland has been looking hard at using coaxial as its voice and data transmission needs expand. Cable Communications Director Don Weidner says that, with the AT&T breakup, he foresees "drastic increases in leased line costs. In our estimation, the cable company will be able to provide services at

perhaps 50 percent of the eventual phone company costs."

Such developments in these cities—together with several franchise-bid related marketing studies in Denver, Montgomery County, Md.; Detroit; New York City and elsewhere—point to an emerging potential for sizable revenues in business communications for cable operators. If these indicators prove accurate, this end of the cable business in urban markets could become an important factor in achieving profitability in these franchises.

Advertising

Advertising is another area where the local system commitment demonstrates strong managerial confidence in revenue potentials. However, so far, there is little to go on in urban market advertising results.

Among the systems surveyed, the one with the most experience in local advertising is Viacom of Nashville. Six people, including two full-time salespersons, are devoted to advertising sales, including the selling of space in the system's guide. Five more people, including two salespersons, will be added to the staff next year.

According to manager Kurt Jorgensen,

There, the average monthly pay-per-view revenue from the 97 percent of subscribers with QUBE capability has been running at $5.

the system expects to be taking in $500,000 in advertising annually, once construction is completed. "We've had strong local receptivity," he says. "We're continuing to see results after advertising runs that indicate we were able to create traffic, and in the advertisers' opinions, it's been a good media buy. For example, a major department store was able to identify an increase in traffic that could be related to the buy at Viacom.

"The uniqueness of cable television advertising," he adds, "is that it makes television available without the giant funds necessary for a broadcast purchase. For local merchants right in Nashville, within driving distance of the people we reach, Viacom's local advertising on these attractive national satellite networks gives them a reasonable opportunity at television advertising at prices competitive with other media geared to the local market."

Although coordination of local advertising with the national satellite networks remains a problem, Jorgensen says the results are worth the hassles.

With a potential penetration in the 75,000-subscriber range, the system goal of $500,000 in annual ad sales would put the per-sub ad take at a little better than 50 cents per month. This is well below Reidy's $2 optimum, but at least it's headed in that direction. With other sytems gearing up to mount the same kind of effort Nashville has, it looks like local advertising revenues are going to make some contribution, at least, to cash flow.

The bottom line

With all these elements of urban operations in mind, there appears to be no question that cable faces a stiff challenge in the cities. As ATC, one of the more conservative bidders throughout most of the franchising epic, comes to grips with this challenge in Denver, its operations strategy there could be a harbinger of the tack MSOs will take as the ever more expensive new-builds come on line.

Fred Dressler, ATC's vice president for new market development and the new president of Mile Hi Cable, was asked how he counters Tony Hoffman's gloomy assessment of major city operations. "I'm not sure I do," is his reply. "I don't quarrel with the theory behind his outlook. I'd be happy to go on record as saying that one of my major and first responsibilities at Mile Hi is to minimize capital requirements wherever possible."

Dressler says ATC's market research in Denver so far indicates the company can expect to get an average of $30 per month from each of its subscribers. This sales figure (with penetration unspecified) is based only on purchases of basic and pay programming without factoring in potential advertising, security, business communications or other revenues. The figure does include revenues for guides, second sets and remote control devices.

Dressler says he believes Mile Hi has a "reasonable chance" at a good return on investment at that per-sub revenue rate if he can trim many millions of dollars off capital costs, which were projected at $100 million in the bid *pro formas*. So far, Dressler's efforts have paid off. The first big breakthrough, he says, was the securing of real estate for Mile Hi facilities at prices "several million" dollars below *pro forma* estimates. He also expects to save money in building costs.

Pending at the time of publication was a request before the City Council that would cut the capital budget even further. Dressler says Mile Hi wants to install three headends rather than four as originally planned. He says engineers have determined that, by using Century III Feedforward amplifiers instead of Scientific-Atlanta equipment for Mile Hi's dual 400 MHz trunk, they can adequately serve Denver from three headends.

'All we've said is, we're considering all alternatives based on the legal and economic implications of the present situation.'

Fred Dressler,
president,
Mile Hi Cablevision

Fred Dressler

Dressler believes the city is willing to cooperate with the cable company in ensuring that the business is a success. In fact, he notes, the lingering political intensity from the franchise battle may be working in Mile Hi's favor, since the city is anxious to demonstrate it acted prudently in granting the contract.

Dressler, who says he was looking at "the same doomsday scenario Hoffman is talking about" when he took over at Mile Hi, also has succeeded in winning city agreement that it "doesn't need all the bells and whistles of the franchise proposal in the first year." Instead, Mile Hi will be allowed to phase in studios and other giveaways over a four- or five-year period with the understanding that as studios go in, if they're not used to capacity, there won't be a demand that others be built just because they are in the franchise contract.

**Prior to press time "Rocky Mountain News" reports in Denver suggested a suit brought by Mountain States Legal Foundation seeking to overturn the Denver franchise on First Amendment grounds was causing Dressler and Mile Hi second thoughts about continuing system development. Also cited were the company's misgivings over the extent of capital commitment in the face of the market conditions discussed in this article. Commenting on these reports, Dressler said, "All we've said is, we're considering all alternatives based on the legal and economic implications of the present situation. We're running economic models on the ramifications of all such alternatives and will take the question to our stockholders once we have the necessary information. All we told the newspaper is, we're considering all options, and when asked whether that means one of the options would be not to build, the answer was, yes, but that's just one of 20 options. But, of course, that became the headline. The suit has changed the situation, and it's our responsibility to examine it. That's all we're doing."*

The capital cutbacks and city concessions sought by Mile Hi are a long way from the

Warner of Pittsburgh has taken on AT&T head-to-head in a bid for the contract to wire Carnegie-Mellon University in what has been billed as the most extensive data communications system ever devised by such an institution.

wholesale retrenchments represented by Hoffman's suggestion that the cable operator will have to "weasel" out of all his commitments. Rather, with the urban cable economic reality being what it is, Mile Hi's and the city's actions constitute a joint attempt to provide the public with the maximum array of services feasible without threatening long-term viability of the system.

In Portland, Frank Nuessle is disappointed at the level of sales so far, which is hovering at 40 percent of homes passed. "I thought we'd get 50 percent right out of the box," he says. So did many other operators. That many aren't is not necessarily a sign that urban operations will turn out to be the mire that saps industry vitality.

As noted earlier, it will be two, sometimes four or five, years before these systems are wired sufficiently to permit mass media advertising, and much needs to be learned about packaging and marketing in the meantime.

In addition, it is important to remember that the cities will provide the universality essential to survival of the industry as it is currently positioned. Many observers point out the suburbs as the localities where cable's focus should be. Group W's now-complete Irving, Texas, system outside Dallas is running at 70 percent penetration with a pay-to-basic ratio of 3.25. The Warner Amex system in nearby Mesquite, only a year into operations, is already at 55 percent penetration with a high pay-to-basic ratio. Meanwhile, Warner Amex struggles to sell cable in Dallas.

But these lucrative, high-capacity suburban systems that can offer a full array of attractive basic as well as several pay tiers couldn't do so without the conviction on the part of service providers that the ultimate cable universe will be large enough to support such menus.

Further adding to the significance of the city systems beyond their individual potential for profitability is the new wave of clustering on the part of MSOs that is just beginning around the country. Most of the executives interviewed for this article brought up clustering as an essential part of their game plans. As the cable companies effect the deals that transform metropolitan regions from the incongruity of feudal fiefdoms into sensible operations centers, the city systems will look a little less like the beleaguered fortresses of an industry gone berserk.

And there's another countervailing factor that must be weighed against current economic reality in the urban marketplace. Each of these systems represents a sizable new business in the community served, operating more like a

multifaceted local company than the arm of a national corporation.

For the 400 people going to work every day at the 85,000-square-foot facility in Pittsburgh, QUBE Cable is an opportunity to make a go of it in television, a medium once thought to be beyond the reach of most. With program production facilities worth $7 million and links to virtually every sector of the city's cultural and social structure, these people have the foundation from which to build lasting careers in the medium. It is hard to imagine that any city population will long resist the juggernaut such combined energies are likely to produce. ■

Ed Campbell, president, and Don Turner in Warner's Pittsburgh control center.

State comparisons

	Arizona	California	Hawaii	Nevada	Total
Number of systems	63	300	10	16	389
Number of communities served	107	654	34	30	825
Basic subscribers	161,718	2,556,238	154,597	73,407	2,945,960
Pay units	82,718	1,150,668	106,576	20,645	1,360,607
Homes passed	277,814	5,240,361	274,617	150,092	5,943,079
Plant miles	2,785	69,106	2,700	1,223	75,814
Basic/HP	58.2%	48.8%	56.3%	48.9%	49.6%
Pay/basic	51.2%	45.0%	68.9%	28.1%	46.2%
Subs per mile	58.1	36.9	57.3	60.0	38.9
Homes per mile	99.6	75.8	101.7	122.8	78.4

Cinaco Television Co.
9056 Santa Monica Blvd.
Suite 200
Los Angeles, Calif. 90069
(213) 278-3072

Cinema Products Corp.
2037 Granville Ave.
Los Angeles, Calif. 90025
(213) 478-0711

Cinemerica Satellite Network Inc.
9477 Brighton Way
Beverly Hills, Calif. 90210
(213) 550-1563

Cleanweld Products Inc.
16016 Montoya St.
Box 2184
Baldwin Park, Calif. 91706
(213) 969-5811

Cleanweld Turner
16016 Montoya
Baldwin Park, Calif. 91706
(213) 895-4545

Clear-Com Intercom Systems
1111 17th St.
San Francisco, Calif. 94107
(415) 861-6666

Coastcom
2312 Stanwell Dr.
Concord, Calif. 94520
(415) 825-7500

Cohu Inc., Electronics Division
5725 Kearny Villa Rd.
San Diego, Calif. 92112
(714) 277-6700

Columbia Pictures Pay TV
Columbia Plaza South
Burbank, Calif. 91505
(213) 954-1023

Commercial Electronics Inc.
880 Maude Ave.
Mountain View, Calif. 94043
(415) 969-1910

Communication Marketing Inc.
2326 Tampa Ave.
El Cajon, Calif. 92020
(714) 461-7891

Communications Library
1550 Bryant St.
San Francisco, Calif. 94103
(415) 626-5050

Communications Marketing Inc.
2326 Tampa Ave.
El Cajon, Calif. 92020
(714) 461-7891

Compact Video Sales Inc.
1104 W. Chestnut St.
Burbank, Calif. 91506
(213) 843-3232

Compact Video Services Inc.
2813 W. Alameda Ave.
Burbank, Calif. 91505
(800) 423-2277

Conrac Division, Conrac Corp.
600 N. Rimsdale
Coving, Calif. 91722
(213) 966-3511

Control Video Corp.
578 Division St.
Campbell, Calif. 95008
(408) 866-7447

Convergence Corp.
1641 Mcgaw
Irvine, Calif. 92714
(714) 549-3146

Conway Engineering Inc.
675 Hegenberger Rd.
Oakland, Calif. 94621
(415) 568-4028

Cool Light Co. Inc.
5723 Auckland Ave.
North Hollywood, Calif. 91601
(213) 761-6116

Cottar Media Group, The
P.O. Box 9144
San Jose, Calif. 95157
(408) 379-8022

Court Communications Corp.
1510 Eleventh St., Suite 207
Santa Monica, Calif. 90401
(213) 393-0574

Crocker National Bank
One Montgomery St.
San Francisco, Calif. 94104
(415) 983-0456

Cross, Frank L. & Associates
5134 Melbourne Dr.
Cypress, Calif. 90630
(714) 527-5462

Crossover Programming Co.
1237 Seventh St.
Santa Monica, Calif. 90401
(213) 451-9762

Crown International Pay Television Inc
292 S. La Cienega Blvd.
Suite 306
Beverly Hills, Calif. 90211
(213) 657-6700

Crystal Technology Inc.
1035 E. Meadow Cir.
Palo Alto, Calif. 94303
(415) 856-7911

DBA Television
3211 Cahuenge Blvd.
Los Angeles, Calif. 90068
(213) 851-7801

Diamond P Sports
7715 Sunset Blvd.
Los Angeles, Calif. 90046
(213) 874-1512

Digimax
5625 Kearny Villa Rd.
San Diego, Calif. 92123
(714) 569-6582

Direct Video
1800 N. Highland Ave.
Suite 709
Hollywood, Calif. 90028
(800) 423-2452

Dow-Key
P.O. Box 4422
Santa Barbara, Calif. 93103
(805) 684-4560

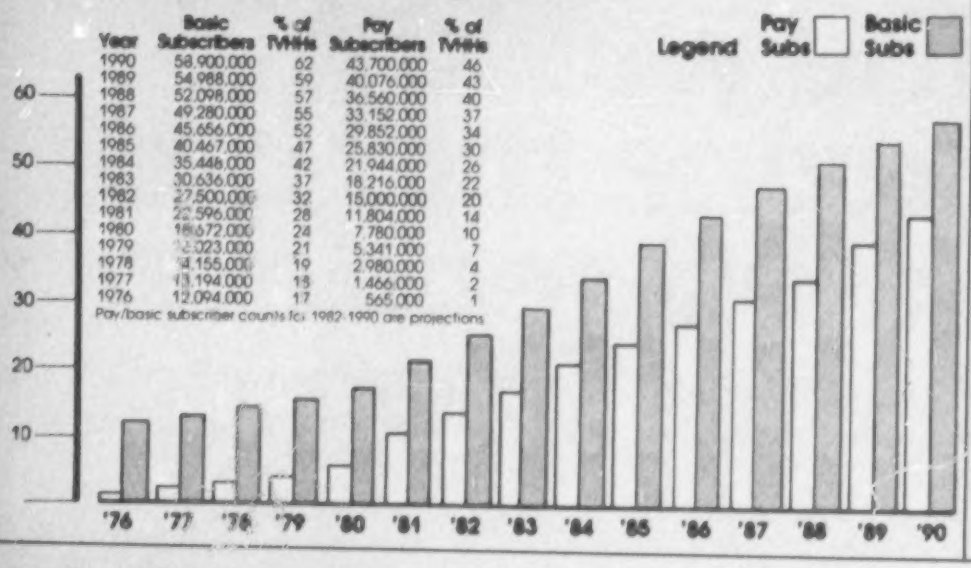
Drop Shop West Ltd.
25024 Viking St.
P.O. Box 4771
Hayward, Calif. 94545
(800) 227-0700

Dynair Electronics Inc.
5275 Market St.
San Diego, Calif. 92114
(714) 263-7711

Pay/basic cable growth

Year	Basic Subscribers	% of TVHHs	Pay Subscribers	% of TVHHs
1990	58,900,000	62	43,700,000	46
1989	54,988,000	59	40,076,000	43
1988	52,098,000	57	36,560,000	40
1987	49,280,000	55	33,152,000	37
1986	45,656,000	52	29,852,000	34
1985	40,467,000	47	25,830,000	30
1984	35,448,000	42	21,944,000	26
1983	30,636,000	37	18,216,000	22
1982	27,500,000	32	15,000,000	20
1981	22,596,000	28	11,804,000	14
1980	18,672,000	24	7,780,000	10
1979	16,023,000	21	5,341,000	7
1978	14,155,000	19	2,980,000	4
1977	13,194,000	18	1,466,000	2
1976	12,094,000	17	565,000	1

Pay/basic subscriber counts for 1982-1990 are projections



Cable barometer

Television households (TVHH) 82,100,000
Homes passed by cable (HP) . 45,310,421
Percent of TVHH passed by cable 55.2%
Basic cable subscribers .. 26,991,845
Percent of TVHH with basic cable 32.9%
Percent of HP with basic cable 59.6%
Pay cable units 14,550,000
Percent of TVHH with pay cable 17.7%
Percent of HP with pay cable 32.1%
Percent of basic subs with pay cable .. 53.9%

Figures are as of October 1982

Satellite lineup

Satcom III-R (RCA Americom)

	Transponder
Warner Amex (Nickelodeon/ARTS)	1
PTL Satellitten Network	2
United Video (WGN, WFMT, Lifestyle, Dow Jones, JISAL)	3
Times Mirror for Spotlight	4
Warner Amex (The Movie Channel)	5
Southern Satellite Systems (WTBS, Cabletext, Reuters News View, North American Newstime/The Travel Channel, Dow Jones Cable News)	6
ESPN	7
CBN Cable Network	8
USA Network	9
Showtime (west)	10
Warner Amex (MTV: Music Television)	11
Showtime (east)	12
HBO (west)	13
Cable News Network	14
Warner Amex owned (for CNN2)	15
Showtime, ACSN, National Jewish Television, HTN Plus	16
Showtime, (Cable Health Network)	17
Reuters, Eternal Word Television Network (8 p.m.-12 a.m.)	18
C-SPAN	19
HBO (Cinemax-east)	20
Landmark/The Weather Channel	21
HBO/Modern Satellite Network, leased for Daytime	22
HBO (Cinemax-west)	23
HBO (east)	24

Satcom IV (RCA Americom)

	Transponder
ESPN (Bravo)	6
National Christian Network (Escapade)	7
RCTV/The Entertainment Channel	8
Warner Amex	11
Showtime (subleased to Compact Video)	15
Trinity	17
HBO	18
American Network	19

Satcom V—Projected launch mid-1983
Satcom I-R—Projected launch September 1983
Satcom II-R—Projected launch September 1983

Westar IV (Western Union)

	Transponder
CBS Cable	3D
Wold Communications	5D
Wold Communications (Financial News Network, SelecTV)	5X
SIN	8X
Wold Communications—pay service TBA	9X
Wold Communications (EROS)	10D
SPN	11X
GalaVision	12X

Also, ABC TV, Bonneville, PBS, Hughes Television Network, American Satellite, Intelsat, and Equatorial will have transponders on Westar IV.

Westar V (Western Union)

	Transponder
Hughes TV	1D
CBS/Fax	1X
WOR (subleased from Westinghouse by Rbt. Wold Co)	2D
Dow Jones/UTV Cable Network	2X
Citicorp	3D
Dow Jones	3X
CBS Cable	4D
Satellite News Channel I	4X
American Satellite Co. (AmSat)/TCI	5D
AmSat	5X
Satellite News Channel I	6D
AmSat	6X
AmSat/DCM	7D
Satellite News Channel I	7X
Satellite News Channel II	8D
Satellite News Channel I and II (incoming)	8X
Nashville Network	9D
Satellite News Channel I	9X
Citicorp	10D
American Medical Buildings	10X
Group W Satellite Corp. (east)	11D
Digital Communications Corp.	11X
Group W Satellite Corp. (west)	12D
TCI/BET	12X

Galaxy I (Hughes Communications)—Projected launch May 1983, 24 transponders, 4/6 GHz.Transponders reserved: Time Inc. (6), Westinghouse (4), Turner Broadcasting (2), Times Mirror (2), Viacom (2), SIN (2), C-SPAN (1).

Galaxy II—Projected launch September 1983, 24 transponders, 4/6 GHz.
Galaxy III—Launch date pending demonstration of market demand, 24 transponders, 4/6 GHz.

Spacenet I (Southern Pacific Communications)—Projected launch February 1984, 18 transponders-4/6 GHz, 6 transponders-12/14 GHz. Transponders reserved: SSS (3) Pop Network (3) SIN (2), Landmark Communications (2), Bonneville International (3), Southern Baptist Convention (2), United Video (1), Midwest Radio & TV (1), Double-B Enterprises (1), Rainbow Communications (1) and NBC (1).
Spacenet II—Projected launch October 1984, 18 transponders-4/6 GHz, 6 transponders-12/14 GHz.
Spacenet III—presently being built.

ARROW
WIRE/CABLE
STAPLE GUNS
for
TELEPHONE · ELECTRONICS
COMMUNICATIONS
CATV

A TACKER AND STAPLE FOR EVERY DIAMETER UP TO 1/2" FOR SNUG, NEAT WIRE TACKING.

No. T-16
Uses 3/8" and 7/16" staples. For wires up to 3/16" in dia.

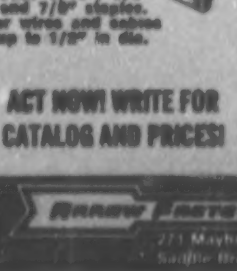
Grooved guide positions wires and cables for accurate staple envelopment preventing damage to wire or cable.

No. T-25
Uses 9/32", 3/8", 7/16" and 9/16" staples. For wires up to 1/4" in dia.

A FEW WIRING USES:

No. T-27
Uses 3/8", 1/2" and 5/16" staples for wires up to 5/16" in diameter.

No. T-75
Uses 9/16", 5/8" and 7/8" staples. For wires and cables up to 1/2" in dia.



ACT NOW! WRITE FOR CATALOG AND PRICES!

ARROW FASTENER COMPANY INC.
271 Mayhill St
Saddle Brook, N.J. 07662

Cable stats

Satellite-fed cable programming services

Basic services	Affiliates*	Subscribers*	% change in homes from 9/30	
ACSN: The Learning Channel	262	7,000,000	+8.4	
Alpha Repertory Television Service (ARTS)†	1,725	8,000,000	N.C.	
Black Entertainment Television (BET)	101	2,519,869	+25.9	
Cable Health Network (CHN)	462	4,100,000	N.A.	
Cable News Network (CNN)	2,882	15,827,000	N.C.	
CNN Headline News	297	2,075,000	+6.9	
Cable Satellite Public Affairs Network (C-SPAN)	1,000	10,500,000	N.C.	
CBN Cable Network	3,245	18,200,000	N.C.	
CBS Cable	500	5,000,000	N.C.	
Daytime	533	7,200,000	N.C.	
Dow Jones Cable News	65	650,000	+1.5	
Electronic Program Guide (EPG)	58	821,490	N.A.	(9/82)
Entertainment and Sports Programming Network (ESPN)	4,856	18,780,114	N.A.	(9/82)
Eternal Word Television Network (EWTN)	38	670,000	+11.6	
Financial News Network(FNN)†	594	8,236,524	+1.4	
Modern Satellite Network (MSN)	408	6,029,560	+5.1	
Music Television (MTV)	625	6,750,000	N.C.	
National Christian Network	72	1,690,377	N.A.	(9/82)
National Jewish Television	103	2,238,600	+2.9	
Nickelodeon	1,900	9,000,000	N.C.	
North American Newstime/ The Travel Channel	114	876,000	N.A.	(7/82)
PTL Television Network	600	6,500,000	N.C.	
Reuters News View	378	3,800,000	N.A.	(9/82)
Satellite News Channel I (SNC)	425	3,100,000	N.C.	
Satellite Program Network (SPN)†	369	8,014,369	N.A.	(9/82)
SIN Television Network†	199	25,531,400	N.C.	
Trinity Broadcasting Network	235	2,300,000	+1.4	
USA Network	2,300	13,000,000	N.C.	
The Weather Channel (TWC)	550	6,000,000	N.A.	(9/82)
WGN	3,369	9,448,079	N.A.	(9/82)
WOR	677	4,417,868	+1.8	
WTBS	4,770	23,324,000	N.C.	
Basic audio services				
Lifestyle	75	700,000	N.A.	(9/30)
WFMT	158	874,872	N.A.	(9/30)
Pay services				
Bravo	44	78,780	N.A.	(9/82)
Cinemax†	1,500	2,000,000	+33.3	
The Entertainment Channel	80	225,300	N.A.	
EROS	14	660,000	+20.0	
Galavision	160	120,000	+20.0	
Home Box Office (HBO)†	4,300	11,000,000	+10.0	
Home Theater Network Plus	200	155,000	N.A.	(6/82)
The Movie Channel (TMC)	2,150	2,200,000	N.C.	
The Playboy Channel/Escapade	190	287,506	N.A.	(9/82)
Showtime	1,800	3,500,000	N.C.	

†Affiliate and subscriber counts are as of 10/31 unless otherwise noted.
*Subscriber count denotes household receiving signal.
†Total SIN reach. Total Spanish-speaking households 3,075,900.
‡This month's figures are approximations.
N.C. designates no change.
N.A. designates not available.

Announced satellite-fed cable services	Projected launch date
ABC/ESPN Pay Service	T.B.A.
Aimi Group Network	T.B.A.
Apollo Entertainment Television	T.B.A.
The Busna Vision Channel	1st quarter 1983
Cable Newspaper Corp.	1/83
The Channel Black	T.B.A.
Christian Media Network	relaunch T.B.A.
Cinemerica	T.B.A.
The Community Channel	T.B.A.
The Disney Channel	2nd quarter 1983
Family Programming Network	T.B.A.
Heartbeat Media Network	4th quarter 1982
Home Music Store	1983-84 launch
The Job Channel	T.B.A.
Kidvid Network	1/83
Rock 24 (Lewmark Productions'Music)	6/83
Magicable	3rd quarter 1984
Nashville Network	2/83
National Jazz Network	1982
PBS Cable	T.B.A.
Penthouse Entertainment Network	T.B.A.
Satellite News Channel II	2nd quarter 1983
The Silent Network	3/83
Sircom Channel (Channelrainment)	1st quarter 1984
Spanish Universal Network	T.B.A.
SPN/International Network	2nd quarter 1984
SPN/Financial-Religious Network	2nd quarter 1984
SPN/Classic Movie Network	2nd quarter 1984
SPN/How-To Network	2nd quarter 1984
Top Entertainment Network	T.B.A.
Ufy Cable Network	1/83
Video Concert Hall	T.B.A.
Window	T.B.A.

Introducing the METRO.

The standby power supply designed for metropolitan use.

Write or call for additional information

ELECTRA-MOTION, INC.

40 North Daisy Avenue
Pasadena, CA 91107
(213) 449-7917

Cable penetration in top 50 TV markets

Rank	Market	Cable subscribers
1.	New York City	2,618,719
2.	Los Angeles-Palm Springs	725,807
3.	Chicago	275,094
4.	Philadelphia	773,525
5.	San Francisco-Oakland	726,060
6.	Boston-Manchester-Worcester	409,520
7.	Detroit	205,422
8.	Washington, D.C.Hagerstown	188,872
9.	Cleveland-Akron	291,285
10.	Dallas/Fort Worth	234,495
11.	Houston	363,981
12.	Pittsburgh	444,168
13.	Miami-Ft. Lauderdale	305,654
14.	Seattle/Tacoma	425,659
15.	Minneapolis/St. Paul	85,251
16.	Atlanta	237,698
17.	St. Louis	168,835
18.	Tampa/St. Petersburg-Sarasota	265,048
19.	Denver	161,465
20.	Baltimore	108,150
21.	Sacramento/Stockton	222,954
22.	Indianapolis	204,599
23.	Portland-Ore.	172,694
24.	Phoenix-Flagstaff	97,713
25.	Hartford/New Haven	354,373
26.	Cincinnati	77,027
27.	San Diego	366,571
28.	Kansas City	199,876
29.	Milwaukee	82,814
30.	Nashville-Bowling Green	196,291
31.	Charlotte	152,505
32.	Buffalo	240,461
33.	Providence-New Bedford	90,348
34.	Orlando-Daytona Beach	259,719
35.	New Orleans	165,169
36.	Memphis	93,726
37.	Columbus, Ohio	210,397
38.	Greenville-Sparta-Asheville	135,651
39.	Grand Rapids-Beaver Creek	205,782
40.	Birmingham-Anniston	170,073
41.	Raleigh-Durham	151,506
42.	Oklahoma City	211,644
43.	Louisville	166,147
44.	Salt Lake City	87,250
45.	San Antonio	208,659
46.	Charleston-Huntington	237,933
47.	Norfolk-Portsmouth-Newport News	151,994
48.	Harrisburg-Lancaster-Lebanon-York	168,611
49.	Wilkes-Barre-Scranton	283,065
50.	Albany-Schenectady-Troy	220,508

Note: Cable subscriber figures reflect penetration in Nielsen's designated market areas.

Top 100 MSOs

Rank	Multiple System Operator	Basic Subs	
1.	Tele-Communications Inc.[1]	2,700,000	
2.	American Television and Communications	2,057,710	(10/82)
3.	Group W Cable	1,759,9[illegible]	
4.	Cox Cable Communications	1,227,5[illegible]	
5.	Storer Cable Communications	1,085,4[illegible]	
6.	Warner Amex Cable Communications	1,000,000	
7.	Times Mirror	740,077	(7/82)
8.	Newhouse Broadcasting[2]	661,712	
9.	Rogers-UA Cablesystems	661,509	
10.	Viacom Cablevision[3]	568,971	(7/82)
11.	Continental Cablevision	532,000	
12.	United Cable Television Corp.	517,254	
13.	Sammons Communications	503,794	
14.	TeleCable Corp.	358,900	
15.	Capital Cities Cable	308,356	
16.	General Electric Cable	302,500	(11/82)
17.	Cablevision Systems Development	264,000	
18.	Heritage Communications	257,964	
19.	Comcast Corp.	249,834	(7/82)
20.	Liberty Communications	245,000	(6/82)
21.	Wometco Communications	215,818	
22.	Tele-Media Corp.	207,800	
23.	TCA Group	206,500	
24.	Service Electric Cable TV	189,500	
25.	Multimedia Cablevision[4]	184,898	
26.	Maclean Hunter	181,002	
27.	Jones Intercable	178,695	
28.	Daniels & Associates	178,100	
29.	Century Communications	170,000	
30.	Colony Communications	168,169	(7/82)
31.	Western Communications	151,200	
32.	Prime Cable	145,000	
33.	Centel Cable Television	140,795	(5/82)
34.	Harris Cable Corp.	130,000	
35.	Rollins Cable Vue	119,600	
36.	Tribune Cable Communications	117,000	
37.	Midwest Video	114,615	(12/81)
38.	Communications Service Inc.	110,000	(8/81)
39.	Harron Communications	106,987	
40.	McCaw Communications	99,200	
41.	Cable Vision Industries	95,645	
42.	Buckeye Cablevision	93,113	
43.	Communications Systems Inc.	90,741	
44.	Sutton Capital Group[5]	90,008	
45.	Midcontinent Cable Systems[6]	87,144	
46.	Armstrong Utilities	85,966	
47.	Adams-Russell	85,000	
48.	McDonald Group	79,444	
49.	Cable America	84,600	
50.	Southmedia	78,668	
51.	Cablentertainment	78,582	
52.	Omni Cable TV	78,099	
53.	Buford Television	76,653	
54.	Multi-Channel TV Cable Co.	75,400	
55.	Televents	73,532	
56.	King Videocable Co.	72,859	
57.	Alda Group	50,348	
58.	The Essex Group	70,298	
59.	American Cablesystems Corp.	67,658	
60.	Summit Communications	67,245	
61.	Perry Cable TV Corp.	66,536	
62.	Palmer Communications	65,939	
63.	WEHCO Video	62,554	
64.	National Telecommunications Co.	62,125	
65.	Omega Communications	60,000	
66.	Coaxial Communications	60,000	
67.	Ultracom Inc.	59,189	(10/82)
68.	Acton Corp.	57,688	
69.	Booth Communications	56,112	
70.	US Cable Corp.	55,273	
71.	Pencor Services Inc.	55,102	
72.	Harte-Hanks Communications	53,000	(6/82)
73.	Consolidated Cable Systems	51,900	
74.	Marsh Media	50,808	
75.	Falcon Communications	50,000	
76.	Total TV Inc.	48,188	
77.	Clear TV Cable Corp.	47,532	
78.	The Daily Press	46,000	
79.	Adelphia Communications	44,331	
80.	Sonic Cable TV	43,995	
81.	Lenfest Group	42,552	
82.	Greater Media	42,000	
83.	Susquehanna Broadcasting	40,500	
84.	NorCal Cablevision (McClatchy-Viacom)	40,457	
85.	Selkirk Communications	39,380	(10/82)
86.	American Cable Television Inc. (Phoenix, Ariz.)	37,089	
87.	Joseph S. Gans	33,300	(3/82)
88.	Cable Holdings Inc.	30,000	
89.	Columbia Communications	28,586	
90.	Helicon Corp.	28,200	
91.	United Video Management	28,000	
92.	Mid America Media	27,760	
93.	The LBJ Co.	26,717	
94.	Cable Communications of Iowa	26,483	
95.	National CableSystems Inc	25,600	
96.	United Broadcasting	25,440	
97.	Matrix Enterprises	25,251	
98.	Mickelson Media	25,144	
99.	Combined Cable Communications	25,072	
100.	MultiVision Group	24,694	

[1] Number is a company estimate; the last official subscriber count is as of 12/81
[2] Includes MetroVision, NewChannels, Vision Cable.
[3] Includes 40% ownership in NorCal Cablevision.
[4] Includes Tar River Communications.
[5] Includes systems owned and with controlling interest.
[6] Includes owned and partially owned systems.

Top 100 systems

Rank	Location	Operator	Basic Subs	
1.	San Diego, Calif.	Cox Cable	220,836	(6/82)
2.	Oyster Bay (Long Island), N.Y.	Cablevision Systems	169,448	
3.	Manhattan, N.Y.	ATC	166,725	(6/82)
4.	West Orange, N.J.	MacLean Hunter	140,907	
5.	Santa Monica (L.A. area), Calif.	Theta Cable	129,807	
6.	San Antonio, Texas	Rogers-UA	128,255	
7.	Wayne, N.J.	Rogers-UA Cable	109,900	
8.	Tulsa, Okla.	United Cable	101,851	
9.	Austin, Texas	ATC	98,900	(6/82)
10.	Erie County, N.Y.	Prime Cable	97,000	
11.	Audubon, N.J.	NYT Cable	96,000	
12.	San Jose, Calif.	Gill Industries	91,954	
13.	Tidewater, Va.	Cox Cable	89,288	
14.	Central Islip, N.Y.	Viacom	82,603	
15.	Orlando, Fla.	ATC	82,300	(6/82)
16.	Jefferson Parish/Kenner, La.	Cox Cable	80,160	
17.	Seattle, Wash.	Group W Cable	77,840	
18.	Manhattan, N.Y.	Group W	75,000	
19.	Toledo, Ohio	Buckeye Cablevision	74,628	
20.	Memphis, Tenn.	ATC	73,400	(6/82)
21.	Grand Rapids, Mich.	General Electric	73,000	
22.	Honolulu, Hawaii	ATC	72,050	(6/82)
23.	Jacksonville, Fla.	ATC	70,500	
24.	Wilmington, Del.	Rollins Cable	70,456	
25.	Houston, Texas	Gulf Coast Cable	70,405	
26.	Baton Rouge, La.	Daniels	63,500	
27.	San Francisco, Calif.	Viacom	62,137	(5/82)
28.	San Diego, Calif.	ATC	61,575	(6/82)
29.	Greater San Juan, Puerto Rico	Harris Cable	61,392	
30.	Henrico County/Richmond, Va.	Continental	60,460	(5/82)
31.	Columbus, Ohio	Warner Amex	60,000	
32.	Flint, Mich.	Comcast	59,929	
33.	Wichita, Kan.	Multimedia Cable	59,710	(6/82)
34.	Baltimore County, Md.	Cablec Cable	59,517	
35.	Santa Barbara, Calif.	Cox Cable	59,363	
36.	Monterey, Calif.	Western	58,000	
37.	Buffalo, N.Y.	Minneapolis Star	57,629	
38.	Suburban Rochester, N.Y.	People's Cable	57,420	
39.	NW Houston, Texas	Warner Amex	57,100	
40.	Melbourne, Fla.	ATC	55,275	(6/82)
41.	Allentown, Pa.	Twin County	55,000	
42.	Cincinnati, Ohio	Warner Amex	54,700	
43.	El Paso, Texas	Group W Cable	52,319	
44.	Harrisburg, Pa.	Sammons	52,066	
45.	Louisville, Ky.	Times Mirror	51,648	
46.	Snohomish County, Wash.	Viacom	51,444	
47.	Akron, Ohio	Warner Amex	51,200	
48.	Binghamton, N.Y.	NewChannels	51,126	
49.	Boston Complex, Mass.	Warner Amex	50,200	
50.	Seattle, Wash.	Viacom	49,647	
51.	Canton, Ohio	Warner Amex	49,600	
52.	Charlotte, N.C.	ATC	49,525	(6/82)
53.	Englewood, Colo.	United Cable	49,418	
54.	Pompano Beach, Fla.	American Cable TV	49,257	
55.	Dade/Broward counties, Fla.	Storer	48,723	
56.	Columbus, Ohio	Coaxial Comm.	48,496	
57.	Sarasota, Fla.	Storer Cable	48,013	
58.	Des Moines, Iowa	Heritage	47,392	
59.	Reading, Pa.	ATC	47,100	(6/82)
60.	San Diego County, Calif.	Times Mirror	46,938	
61.	Charleston, S.C.	Storer	46,877	
62.	Jackson, Miss.	ATC	46,830	(6/82)
63.	West Haven, Conn.	Storer	46,657	
64.	Peoria, Ill.	General Electric	46,500	
65.	Hartford/Meriden, Conn.	Times Mirror	46,430	
66.	San Rafael/Marin, Calif.	Viacom	45,854	
67.	Eugene, Ore.	Group W Cable	43,851	
68.	New Britain, Conn.	United	43,370	
69.	Albany, N.Y.	ATC	42,750	(6/82)
70.	Bridgeport, Conn.	Alda Group	42,303	
71.	Spokane, Wash.	Cox Cable	42,196	
72.	Birmingham, Ala.	ATC	41,925	(6/82)
73.	Moline/Quint Cities, Ill.	Cox Cable	41,910	
74.	Overland Park, Kan.	TeleCable Corp.	41,900	(5/82)
75.	Bakersfield/Kener Co., Calif.	Warner Amex	41,100	
76.	Concord, Calif.	Western	40,900	
77.	Branford, Conn.	Rollins Cable	40,000	
78.	Lincoln, Neb.	MetroVision	39,868	
79.	Brookhaven, N.Y.	Rogers-UA Cable	39,645	(4/82)
80.	Lansing, Mich.	Continental	39,500	
81.	Port Arthur, Texas	Liberty	39,314	
82.	Oklahoma City, Okla.	Cox Communications	39,258	
83.	Albuquerque, N.M.	Tribune Cable	39,113	
84.	Kansas City, Mo.	ATC	39,025	
85.	Fayetteville, N.C.	ATC	38,925	(6/82)
86.	St. Petersburg, Fla.	Group W Cable	38,593	
87.	West Palm Beach, Fla.	Group W Cable	38,199	
88.	Cleveland, Ohio	Viacom	37,903	
89.	Winston-Salem, N.C.	Summit Commun.	37,819	
90.	Omaha, Neb.	Cox Communications	37,625	
91.	Deerfield, N.Y.	Harron Commun.	37,577	
92.	Springfield, Ill.	Times Mirror	37,531	
93.	Honolulu, Hawaii	TV Systems Inc.	37,500	
94.	Dover, N.J.	Sammons	37,200	
95.	Pensacola, Fla.	Cox Cable	36,206	
96.	Beacon, N.Y.	Colony Commun.	36,112	
97.	Cleveland, Ohio	Cox Cable	35,756	
98.	South Bend, Ind.	Buford	35,552	
99.	Atlanta, Ga.	Cable America	35,500	
100.	Colorado Springs, Colo.	ATC	35,175	

Note: Subscriber counts for MSOs and systems are as of 9/82 unless noted otherwise.

Franchising in the top 50 markets

Rank	Market	Status of core city
1.	New York	Manhattan-OP; four unwired boroughs-FP.
2.	Los Angeles	City is divided into 14 areas (A-N): 10-OP, 2-FG, 2-FP.
3.	Chicago	City is divided into five areas; FP
4.	Philadelphia	City is divided into N,S,E,W, S-OP; other three FP
5.	San Francisco	OP (system to be upgraded).
6.	Boston	FG
7.	Detroit	BP
8.	Washington, D.C.	LNA
9.	Cleveland	BP
10.	Dallas/Ft. Worth	Two systems-OP
11.	Houston	five systems-OP
12.	Pittsburgh	OP
13.	Miami	FG
14.	Seattle/Tacoma	City is divided into five parts (3 OP, 1-FG, 1-BP); Tacoma-OP.
15.	Minneapolis/St. Paul	FG/BP
16.	Atlanta	OP
17.	St. Louis	FP
18.	Tampa/ St. Petersburg	FP/OP
19.	Denver	FG
20.	Baltimore	BP
21.	Sacramento/ Stockton	FG/OP
22.	Indianapolis	Two systems-OP
23.	Portland	Three systems-OP
24.	Phoenix	Two systems-OP
25.	Hartford/ New Haven	Two systems-OP
26.	Cincinnati	OP
27.	San Diego	OP
28.	Kansas City	OP
29.	Milwaukee	FG
30.	Nashville	OP
31.	Charlotte	OP
32.	Buffalo	OP
33.	Providence/ New Bedford	LNA/OP
34.	Orlando/ Daytona Beach	Two systems-OP
35.	New Orleans	OP
36.	Memphis	OP
37.	Columbus	Four systems-OP
38.	Greenville/Asheville/Spartansburg	Three systems-OP
39.	Grand Rapids/Kalamazoo/Battle Creek	Three systems-OP
40.	Birmingham	OP
41.	Raleigh/Durham	Two systems-OP
42.	Oklahoma City	Two systems-OP
43.	Louisville	Two systems-OP
44.	Salt Lake City	OP
45.	San Antonio	OP
46.	Charleston/ Huntington	Two systems-OP
47.	Norfolk/Newport News/New Hampton/Portsmouth	Four systems-OP
48.	Harrisburg/York/ Lebanon/Lancaster	Four systems-OP
49.	Wilkes Barre/ Scranton	Two systems-OP
50.	Albany/Schenectady/Troy	Three systems-OP

Legend

OP—operational.
FG—franchise granted.
FP—franchise pending.
BP—beginning process.
LNA—little or no action.

Franchising calendar

This chart examines the franchise status of communities during the third quarter of 1982. "Pending" refers to communities that are in the franchising process but have yet to make an award.

Alabama

Tarrant City—renewed franchise award to Alabama Cable TV (which was recently purchased by ATC) 8/82.

Arizona

South Tucson—City Council reviewing four bids received: Cox Cable, Saguaro Cable TV, Tele-Vue Corp. and Tri-West CableVision Inc.

California

Beaumont—award to Field Cablevision 8/82 (3,200 homes).
Bellflower—award not expected until December.
Davis—city negotiating with Davis Cable Cooperative; final agreement expected 11/17/82 (14,000 homes).
East San Fernando Valley—DOT recommended top-ranked Valley Cable; award expected 1/83.
East Yolo—developing RFP; expect to issue by 12/82.
El Monte—final agreement signed with Group W 9/14/82.
Hacienda Heights, West Whittier, Bassett, Valinda, Whitter Narrows—award to United Cable Television Corp.
Hawaiian Gardens—franchise refused to Cable West; schedule for new bid proposals indefinite.
Hawthorne-awarded to Group W.
Harbor City, Wilmington, San Pedro—award to Colony/Harbor Cablevision (27,000 homes).
Lakewood—Tribune Co. selected by city council; final award expected by 11/82 (26,000 homes).
Lomita—recommendation expected 11/82.
Los Altos—feasibility study under way; report due 11/82.
Los Angeles, South Central Region—pending.
Palo Alto—city council voted to allow private companies to bid on franchise; RFP expected 11/82 (22,000 homes).
Pico Rivera—California Cablevision contesting referendum denying them franchise.
Sacramento—award to United-Tribune Cable ?/27/82 (306,000 homes).
San Buenaventura—beginning to study feasibility.
San Fernando—city council selected Valley Cable to negotiate franchise 6/21/82.
Signal Hill—franchise transferred to Long Beach Cablevision Co. (Times Mirror/Knight Ridder).
South Monrovia—two bidders: Group W, Falcon Cable (5,000 homes).
South Whittier—United cable recommended; award expected 1/83.
Sunnyvale—city council opened bidding for refranchising to all interested companies; franchise currently held by Sunnyvale Cable TV.
Tulare—award to Scripps-Howard (80%) and Mickelson Media (20%).

Colorado

Denver—award to Mile Hi Cablevision.
Greenwood Village—Mountain States Video selected in public referendum 7/13/82 (1,600 homes).
Northglenn—American Television and Communications sole bidder.
Platteville—three applicants; award expected 11/82.
Wheat Ridge—voters approved franchise award to ATC 6/23.

Connecticut

Windham, Lebanon, Scotland, et. al. (cable area 13)—applications being submitted to PUC.
Vernon Consortium (cable area 12)—award awaits decision by PUC.

District of Columbia

District council approved cable bills; RFP to be released spring 1983.

Florida

Pinellas County—award to Vision Cable of Pinellas Inc. (10,000 homes).
Plantation—award to Planned Cable Systems Co. for western area of
Tampa—negotiating with Tribune Cable Co.; final agreement expected 11/82 (114,000 homes).

Illinois

Addison, West Chicago, Winfield, Warrenville, Aurora (unic. DuPage County Areas)—county negotiating with Centel.
Alsip—nonexclusive franchise awarded to Multimedia 9/82.
Bensenville—final negotiations with Continental in progress.
Chicago—Continental Cablevision, Cablevision Systems, Group W Cable, TCI/Cross Country, Satellite Cable Communications, Communications and Cable submitted bids for the five franchise areas.
Countryside—negotiating with Cablevision of Chicago.
Downer's Grove, Darien, Woodridge, Lisle (unic. DuPage County areas)—county negotiating with Cablevision of Chicago.
Elmwood Park—pending, no award date set.
Glen Ellyn (unic. DuPage County areas)—county negotiating with Group W Cable.
Glenview—franchise agreement reached with Cablenet Inc.
Harwood Heights—reviewing applicants; award expected 11/82.
LaGrange, LaGrange Park, Indian Head Park, Riverside—final negotia-

tions with Centel in progress.
Lincolnwood—final negotiations under way with Cablevision of Chicago.
Lombard, Oakbrook Terrace, Elmhurst (unic. DuPage County areas)—county negotiating with Continental.
Morton Grove—award to Continental Cablevision.
Naperville—two proposals under consideration; final draft proposals due 11/19/82; award expected 12/16/82.
Northbrook—award to Cablenet Inc. 10/15/82.
Richton Park—award to Centel; 3,500 homes.
Riverdale—village board awarded Continental a 15-year franchise.
South Holland—pending.
Wentzville—surveying residents' interest in cable.
Westmont—award expected 11/11/82; three finalists: Centel, Continental Cablevision and Multimedia.
Winnetka—considering municipally operated system.
Wood Dale, Itasca, Bloomingdale, Rosell, Carol Stream (unic. DuPage County areas)—final franchise agreement with MetroVision ratified by individual boards. 10/82 (27,000 homes).

Indiana

Elmora—award to Quality CATV.
Gaston—award to Quality CATV.
Grant County—award to Quality CATV.
Hebron—drafted new ordinance; five applicants.
Indianapolis—cable board to review ordinance allowing SMATV companies to cross city right of ways at 12/7/82 meeting.
Lyons—award to Quality CATV.
Munster—negotiations under way with US Cable; agreement expected by 12/82.
Roachdale—award to Quality CATV.

Maryland

Baltimore—RFP issued 7/21/82; proposals due 11/17/82; tentative award date 2/9/82.
Montgomery County—award to Tribune-United 10/14/82 (200,000 homes).

Massachusetts

Abington—pending.
Acton—awarded to Adams-Russell 9/82 (6,400 homes).
Ayer—pending.
Bedford—award to Adams-Russell (3,813 homes).
Bourne—pending.
Braintree—awarded to Adams-Russell 9/20/82 (11,700 homes).
Bridgewater—pending.
Cohasset—pending.
Danvers—award to Rollins Cablevision of Massachusetts.
Dedham—awarded to Bay Cable Affiliates 5/82.
Hingham—pending.
Holbrook—pending.
Holliston—pending.
Hopedale—awarded to South Massachusetts Cable 7/19/82.
Hull—award expected 12/8/82.
Lancaster—award pending.
Martha's Vineyard—award to Dukes County Cable TV.
Medway—awarded to Cablevision Industries 6/7/82.
Merrimac—pending.
Nahant—pending.
Needham—awarded to Continental 7/82 (8,000 homes).
Northborough—award expected 1/83.
Norwell—award expected 2/83.
Rockland—award expected 12/82.
Scituate—awarded to American Cablesystems 9/82.
Shrewsbury—award to Shrewsbury Electric Light Plant (9,000 homes).
Stoughton—pending.
Walpole—pending.
Waltham—pending.
Wellesley—pending.
Westborough—pending.
West Newbury—awarded to American Cablesystems (1,000 homes).
Whitman—pending (3,500 homes).

Michigan

Detroit—RFP issued; proposals due 12/10/82; 471,000 homes.
Marquette—Marquette Cablevision selected by City Council; final award expected 11/8/82 (7,000 homes).
Romeo—negotiating with Harron (1,000 homes).

Minnesota

Afton, Cottage Grove, St. Paul Park, et. al. (South Washington County Cable Commission)—working on RFP (6,000 homes).
Arlington, Gaylord, Winthrop, Gibbon, Green Isle—RFP issued, no bids received; expect to reissue RFP by 12/82.
Burnsville—drafting RFP in conjunction with Eagan; expect to issue 10/82.
Chanhassen—assessment not yet complete (2,285 homes).
Deephaven, Excelsior, Greenwood, Sherwood, Tonka Bay, Victoria, Woodland—assessment not yet complete (5,467 homes).
Eagan—see Burnsville.
Forest Lake, New Scandia, Columbia—sole bid submitted by Combined Cable; decision expected by 11/82.
Hastings, Marshan—preliminary approval to Hastings Cable TV (Telephone and Data Systems Inc.)
Kasson—award to Group W.
Minneapolis—Rogers/Storer arrangement approved.
Minnetrista, Spring Park, St. Bonifacius—working on needs assessment.
Mound—issued RFP 8/30/83 (3,600 homes).
Northfield City and Township—awarded to Zylstra/United (50/50); awaiting city council action.
Olivia—award to North America Communications Corp.
Owatonna—pending.
Princeton, Rush City, Mora, Milaca, Cambridge, Braham, North Branch, Branch, Pine City, Isanti, Townships: Pine City, Chengwatana, Milaca, Bradford, Spencer Brook, Pokegama, Isanti, Arthur (East Central Cable Commission)—negotiating with Combined Cable (sole bidder); decision expected 11/82.
Prior Lake—RFP issued 9/13/82; proposals due 11/29/82.
Ramsey/Washington County—Group W Cable was sole bidder 7/82.
St. Paul—RFP expected 11/82.
Savage—assessment not yet complete (1,272 homes).
Shakopee—awarded to Zylstra/United (50/50) 9/10/82.
Stillwater, Bayport, Oak Park Heights (Central St. Croix Valley area)—issued RFP; proposals due 12/82.
Wayzata—issued RFP; 1,800 homes.
West St. Paul (North Dakota County Cable Service Territory)—preparing RFP (31,000 homes).
Windom—beginning to study feasibility (1,600 homes).

Missouri

Arnold—US Cable franchise agreement pending; city considering non-exclusive franchises.
Herculaneum—award to U.S. Cable.
Pevely—award to U.S. Cable.
St. Louis—city negotiating with Methar Corp. (owned 80% by TCI).
Vandalia—city reviewing proposals; award date indefinate.

New Hampshire

Hampstead—tentative award to Commonwealth Cable.
Kingston—public meeting scheduled for 11/11/82 to discuss franchise; six proposals received by city.
Londonderry—awarded to Harron Communications 8/82.
Plaistow—award to Rockingham County Cablevision Inc. 10/18/82.

New Jersey

Jersey City—new RFP to be issued pending lifting of court-ordered stay.
Paterson—pending.
Princeton—franchise award to Home Link (Dow Jones) 9/82.
Upper Deerfield, Cumberland County—award to Group W/Cablentertainment 10/28/82.

New York

Harrison—award to Adams-Russell.
New York City—borough negotiations still in progress.
Union Springs, Aurora, Aurelius, Cayuga County, Ledyard, Springport—award to Cablevision Industries.

North Carolina

Bethel, Robersonville—accepting bids; award expected 11/82.
Davie County—portion of county awarded to Summit Cable Inc. 6/82; two proposals submitted for remaining portion of county; award expected 12/82.

Ohio

Bentleyville—award to Matrix Enterprises Inc.
Brecksville—city council awarded franchise to Complexicable (126 homes).
Brooklyn—municipal ownership under consideration.
Cleveland—pending.
Garfield Heights—RFP to be issued by 11/82 (12,000 homes).
Middleburg Heights—process halted pending settlement of legal challenges and lifting of court-ordered stay.
Moreland Hills—award to Viacom.
Newtown—award to Warner Amex 6/82.
Whitehouse—award to Community Cable TV Inc.

Oregon

McMinnville—negotiating with Liberty Communications; award expected 12/82.
Milwaukee—award expected 12/82.
Sylvan, West Hills, Dunthrope—task force formed to prepare RFP, review bids; recommendations expected by 2/1/83.

Pennsylvania

Philadelphia—RFP issued; proposals due 12/22/82 (135,000 homes in each of four franchise areas).

Rhode Island

Newport, Middletown, Portsmouth, Tiverton, Little Compton (Area 7)—all action suspended due to pending lawsuit.

Texas

Azle—pending.
Plano—five responses received by city; Group W, Storer, TeleCable, Prestige Cable and Prime Cable (received late).
Richardson—cable consultant reviewing bids; award expected 1/83.

Virginia

Dinwiddie County—RFP issued; no proposals received.
Fairfax County—award to Media General Inc. 7/25/82 (200,000 homes).
Goochland County—sole proposal rejected; no new proposals received.
York County—award to Continental Cablevision.

Washington

Granger, Toppenish, Wapato, Zillah—award to McCaw.
Seattle, Central District—City Council voted 8-0 to approve award to Seattle Community Cablevision; final action expected by 12/20/82.

Wisconsin

Hales Corner—city board approved ownership transfer (50%) from ATC to Viacom 8/10/82.
Kenosha—two applications received: U.S. Cable and Total TV.
Milwaukee—final franchise agreement with Warner Amex under negotiation.